82-1228

No. 82-

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

CARTER-WALLACE, INC.,

Petitioner,

—v.—

JOHNSON & JOHNSON,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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QUESTIONS PRESENTED*

1. Does § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), contrary to the well established principles of federal equity, require the District Court to grant an injunction in favor of a plaintiff who has admittedly failed to demonstrate that it is either suffering irreparable injury or likely to suffer irreparable injury in the absence of such an injunction?

2. Can a "true and unambiguous statement" about the contents of a product properly be enjoined as a "false description or representation" within the meaning of § 43(a) of the Lanham Act, 15 U.S.C. § 1125 (a)?

3. Did the District Court's Injunctive Order, which purported to enjoin "true and unambiguous" commercial speech, violate the First Amendment?

4. Did the District Court's Injunctive Order satisfy the requirements of Rule 65(d), Fed. R. Civ. P.?

5. As a matter of law, did the plaintiff establish and prove its case for injunctive relief under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)?

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* The only parties to this proceeding are the Petitioner, Carter-Wallace, Inc. ("Carter"), and the Respondent, Johnson & Johnson ("Johnson"). Pursuant to Rule 28.1 of this Court, this certifies that CPI Development Corporation owns 3,918,000 shares of Carter's common stock. Carter does not have any subsidiary other than wholly-owned subsidiaries, or affiliates.

TABLE OF CONTENTS

PAGE

TABLE OF AUTHORITIES

Cases: PAGE

Rules & Statutes:

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OPINIONS BELOW

The opinion of the District Court denying plaintiff Johnson & Johnson's ("Johnson's") motion for a preliminary injunction is reported as *Johnson & Johnson v. Carter-Wallace, Inc.*, 487 F. Supp. 740 (S.D.N.Y. 1979) (hereinafter "487 F. Supp. at ____") reproduced in the Appendix hereto, pp. 14a-28a. The oral bench order of the District Court dismissing all of plaintiff Johnson's claims on defendant Carter-Wallace Inc.'s ("Carter's") motion for a directed verdict at the close of Johnson's case, pursuant to Rule 41(b), Fed. R. Civ. P., is reproduced in the Appendix hereto, pp. 12a. The subsequent written opinion of the District Court is reported as *Johnson & Johnson v. Carter-Wallace, Inc.*, 207 U.S.P.Q. 684 (S.D.N.Y. 1980) (hereinafter "207 U.S.P.Q. at ____") reproduced in the Appendix

hereto, pp. 29a-39a. The opinion of the Court of Appeals reversing the District Court is reported as *Johnson & Johnson v. Carter-Wallace, Inc.*, 631 F.2d 186 (2d Cir. 1980) (per Mansfield and Lumbard, JJ.)[1] (hereinafter "631 F.2d at ____") reproduced in the Appendix hereto, pp. 1a-11a. The opinion of the District Court on remand was issued as an unofficial copy, marked "Final Typed Copy to Follow," dated December 21, 1981, reproduced in the Appendix hereto, pp. 43a-63a. As of the date of this petition, no final copy of the District Court opinion has been filed. The opinion of the District Court has not been reported. The informal opinion of the Court of Appeals affirming the District Court was filed October 21, 1982, reproduced in the Appendix hereto, pp. 68a-69a. The order and opinion of the Court of Appeals is, by order of that Court, "not . . . a formal opinion" (68a), and thus is not to "be reported, cited or otherwise used in unrelated cases before this or any other court." *Id.*

GROUNDS OF THIS COURT'S JURISDICTION

Carter seeks to review a judgment of the Court of Appeals for the Second Circuit dated and entered on October 21, 1982. This Court has jurisdiction to review this case by writ of certiorari pursuant to 28 U.S.C. § 1254(1).

The jurisdiction of the District Court was based on 28 U.S.C. § 1338(a), in that the claim arose out of the Lanham Act, 15 U.S.C. § 1125(a), relating to trademarks.

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1 The third member of the Panel, Honorable William O. Mehrtens, Senior District Judge for the Southern District of Florida, sitting by designation, died before the decision on this appeal was announced. *Id.* at 187 n.* (1a).

RELEVANT STATUTES AND RULES

This case involves § 43(a) of the Lanham Trademark Act, 15 U.S.C. § 1125(a), which provides:

> "Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation."

This case also involves Rule 41(b), Fed. R. Civ. P., which provides, in relevant part:

> "After the plaintiff, in an action tried by the court without a jury, has completed the presentation of his evidence, the defendant, without waiving his right to offer evidence in the event the motion is not granted, may move for a dismissal on the ground that upon the facts and the law the plaintiff has shown no right to relief. The court as trier of the facts may then determine them and render judgment against the plaintiff or may decline to render any judgment until the close of all the evidence. If the court renders judgment on the merits against the plaintiff, the court shall make findings as provided in Rule 52(a)."

Rule 52(a), Fed. R. Civ. P., provides in relevant part:

> "Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses."

Also involved in the review of this case is Rule 65(d), Fed. R. Civ. P., which provides in relevant part:

> "Every order granting an injunction and every restraining order shall set forth the reasons for its issuance; shall be specific in terms; [and] shall describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained . . . ."

STATEMENT OF THE CASE

Procedural History

Johnson's original complaint, filed August 24, 1978, stated two claims, one under the Lanham Act and one under New York law, alleging confusion of source or origin between NAIR, the leading depilatory product, and Johnson's Baby Oil. There was no claim of false advertising in the original complaint.

On January 11, 1979, Johnson filed an amended complaint which, for the first time, averred a claim for false advertising under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1976). Johnson there alleged that "the addition of baby oil to 'NAIR' has no effect whatsoever . . . ."

On April 12, 1979, Johnson moved for a preliminary injunction. An evidentiary hearing was held from April 16 through April 18, 1979. On August 15, 1979, the District Court denied Johnson's motion for a preliminary injunction in all respects. The District Court found that Johnson had failed to prove either that Carter's advertising for NAIR conveyed any im-

plicit message, as claimed by Johnson, 487 F. Supp. at 748 (26a), or that Johnson had proven likelihood of injury, 487 F. Supp. at 749 (27a-28a). No appeal was taken from this order.

A bench trial was held before Judge Motley from March 31 through April 7, 1980. At the close of plaintiff's case, Carter moved to dismiss pursuant to Rule 41(b), Fed. R. Civ. P. This motion was granted from the bench (12a), and subsequently embodied in a written opinion. The Court held that Johnson "failed to carry its burden of proving any damages or the likelihood of damages," 207 U.S.P.Q. at 687 (34a).

On September 25, 1980, the Court of Appeals reversed and remanded the case to the District Court, holding that Johnson had demonstrated "a likelihood of injury" by simply showing "a logical causal connection between the alleged false advertising and its own sales position." 631 F.2d at 190 (8a).

On October 9, 1980, Carter petitioned for rehearing of the Court of the Appeals' decision. This petition was denied.

The bench trial on remand was conducted on April 13 and 14, 1981.

On December 22, 1981, the District Court filed its opinion and injunctive order. On December 29, 1981, the injunctive order was entered as a final judgment.

On January 4, 1982, Carter moved for amendment or clarification of this judgment pursuant to Rule 59(e), Fed. R. Civ. P. This motion was denied on February 16, 1982. (64a.)

On appeal, the Court of Appeals issued an order and informal opinion, pursuant to Local Rule 0.23, affirming the decision of the District Court.

STATEMENT OF FACTS

NAIR is the best selling chemical hair remover in the United States. Carter has manufactured, sold and distributed NAIR since the 1940's. NAIR comes in four formulations: lotion, cream, foam and spray. In 1977, NAIR was reformulated. As a result of this reformulation, since 1977, all four formulations of NAIR have contained baby oil. (45a-46a.)

For many years, Carter has advertised and promoted the fact that NAIR leaves the user's legs soft and smooth. Carter has conducted several studies over the years comparing NAIR with baby oil with the predecessor formulation without baby oil and with a formulation containing all the ingredients of NAIR except baby oil. In all these studies, NAIR with baby oil has been overwhelmingly preferred to NAIR without baby oil, both in terms of general preference and for leaving skin softer and smoother. (*See* 1682JA-83JA; 909E; 1687JA-88JA; 1450E.)[2] After reviewing Carter's evidence, Johnson's counsel was forced to concede that NAIR with baby oil, because of the addition of baby oil, did leave the skin softer and smoother than NAIR without baby oil. (49a.)

Johnson has never manufactured, sold or distributed any chemical hair remover of any kind. At one point, Johnson considered entering the chemical hair remover market, but gave up because it could not formulate a hair remover which was as good as NAIR. (*See* 1279JA.)

Beginning in 1977 and continuing with minor variations in subsequent years, Carter promoted NAIR with baby oil through the use of television commercials, with the following text:

> Who's got baby oil?
> NAIR's got baby oil.

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2 (____ JA) indicates citation to the Joint Appendix in the Court of Appeals; (____E) indicates citation to the Exhibit Volumes of the same.

If you're a baby girl.
NAIR with baby oil.
NAIR with baby oil.
It takes off the hair so your legs feel baby smooth.
And NAIR's baby-soft scent smells terrific, baby.
Who's got baby oil?
NAIR's got baby oil.
Soft-smelling NAIR with baby oil.
NAIR for baby smooth legs.

(47a.)

Although both courts below attached talismanic importance to the ambiguous term "moisturization," Carter has *never* used the term "moisturize" or "moisturizer" or "moisturizing" in any way, shape or form in connection with the labeling, advertising or promotion of NAIR.

Indeed, as found by the District Court, "[i]n the case at hand, Carter has merely included baby oil in its product and included the generic term 'baby oil' in its advertising," 207 U.S.P.Q. at 689 (38a).

A. Johnson's Inability To Prove Irreparable Injury Or The Likelihood Thereof

Johnson's complaint sought only injunctive relief. In order to obtain such relief, Johnson had to prove either that it was being injured or was likely to be injured by Carter's advertising and promotion of NAIR with baby oil. Johnson was utterly unable to prove any such likelihood of injury. 207 U.S.P.Q. at 687 (33a); 207 U.S.P.Q. at 688 (34a); (12a.) This was true despite the fact that at the time Johnson rested, Carter's NAIR with baby oil campaign had been in full swing on a nationwide basis for three years, and even though Johnson had been allowed to call some 8 witnesses in an attempt to prove the existence of such injury. Johnson attempted to prove the likelihood of irreparable injury on two factual theories: (1) loss of sales, and (2) "tarnishment" of Johnson's reputation. Both attempts were dismal failures.

1. Johnson's Utter Inability To Prove The Existence Or Likelihood Of Lost Sales Due to Carter's Promotion of NAIR

Although Johnson's sales of its baby oil had decreased, both Johnson's internal documents and the testimony of its president attributed this loss of sales to competition from lower-priced brands of baby oil, 207 U.S.P.Q. at 688 (34a). There was no evidence of any kind linking this loss of sales in any way to Carter or to NAIR.

Given this record, the District Court properly found that Johnson had failed to prove either that it had lost sales of baby oil, or was likely to lose such sales, as a result of any action on the part of Carter.

> In the case at hand, it is of some significance that J&J has proferred little, if any, evidence that it has been damaged by loss of sales as *a result of* the advertising of Carter. If the dire analysis of J&J were true, it seems reasonable to believe that evidence of damage would exist. *See American Brands, Inc. v. R.J. Reynolds Tobacco Co.*, 413 F. Supp. 1352, 1360 (S.D.N.Y. 1976).
>
> In particular, J&J argues that it faces a competitive injury—loss of sales of its baby oil products which are promoted and purchased for use in connection with the removal of hair. As Carter-Wallace notes, this theory that Nair has somehow diluted or otherwise decreased J&J's sales is too fanciful and uncertain a risk to J&J to warrant relief. *See Combe Inc. v. Scholl, Inc.*, 453 F. Supp. 961, 967, (S.D.N.Y. 1978). J&J has failed to prove that its loss of sales was in any way caused by Nair's allegedly false advertising. Of course, J&J need not quantify its injury in order to obtain injunctive relief. But J&J must at least prove the existence of some injury caused by Carter.
>
> As the court noted in its memorandum opinion of August 15, 1979, J&J's theory is highly speculative considering the fact that depilatories account for only twelve percent of the hair removal market. J&J failed to demon-

strate the existence of any damages, despite the fact that Carter has been advertising Nair with baby oil as an ingredient for three years. In fact, Robert Stites, president of Johnson & Johnson Baby Products Co., testified at the preliminary injunction hearing that he did not attribute a loss in J&J baby lotion or baby oil sales to competition from Nair. Instead, he attributed such loss to competition from lower priced brands of baby oil.

J&J is correct in its assertion that damages are not remote and speculative merely because they are not susceptible to ready ascertainment. In the case at hand, however, J&J has failed to carry its burden of proving the existence of any damages or the likelihood of damages—apart from the problem of quantifying the alleged damages.

207 U.S.P.Q. at 687-688 (33a-34a).

2. Johnson's Claim of "Tarnishment" "Simply Defies Both Common Sense and the Evidence in this Case"

Johnson placed primary reliance on a "tarnishment" theory of injury. Although Johnson devoted days of testimony to this factual theory, both courts below rejected it. The District Court, after a careful review of Johnson's evidence, dismissed the theory, 207 U.S.P.Q. at 687-688 (35a-36a), as "speculation" which "simply defies both common sense and the evidence in this case," 207 U.S.P.Q. at 688 (36a). The Court of Appeals refused to disturb the District Court's analysis of this testimony.

B. Johnson's Scientific Proof on Remand: You'd Have To Be "Cuckoo"

The Second Circuit's first opinion required Johnson to prove that the advertising in question is in fact false, 631 F.2d at 192 (11a).

Though given three opportunities (in 1979, 1980, and 1981) to prove that Carter's advertising was false, the only evidence that Johnson could muster was one hurriedly-conducted

"fluorescien dye" study which purported to show that NAIR with baby oil did not leave a "water-occlusive barrier layer" of baby oil on the user's skin (670E-71E; *see also* 473JA-81JA). This supposedly meant that Nair with baby oil did not "moisturize" the user's skin, notwithstanding the fact that Johnson *admitted* and the District Court *found* that "moisturization" is a meaningless term. (56a.)

This was the sum total of Johnson's scientific proof.

Both parties' expert witnesses agreed that Johnson's theory of "falsehood" was completely meaningless to any conceivable consumer. As Dr. Lavker, Johnson's principal and final witness stated, "I don't think anybody in their right mind would use Nair with baby oil to leave oil on the surface," of their skin. (1917JA) In Dr. Lavker's opinion, only someone who was "cuckoo" would do so. *Id.* Dr. Lavker also stated categorically that "the word moisturization is a bad term" (1940 JA) which has twenty-seven different meanings. (1919 JA.)

Despite the absence of any relevant scientific proof, the District Court entered an ambiguous and sweeping injunction (41a-42a), the very terms of which address not Carter's *actions*, but rather the understanding by consumers of the admittedly undefined and undefinable "moisturization" term.

POINT I

THIS COURT SHOULD DEFINE THE SCOPE OF THE PRIVATE ACTION FOR FALSE ADVERTISING UNDER § 43(a) OF THE LANHAM ACT

Before proceeding to the specific points raised in this petition, Carter would like to state briefly why it believes that this case is of sufficient importance to be reviewed by this Court.

A. This Court's Surprising Silence

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), was enacted in 1946. Litigation under this section at first built up

slowly, but in recent years commentators unanimously agree that the private action for false advertising under this section has become one of the most active areas of private litigation in the federal courts.[3]

One of this Court's most important functions is to define the scope of private actions under federal law. Yet this Court has not once addressed any aspect of the private action for false advertising under § 43(a), even by way of dictum or dissent.[4]

This Court's surprising silence in this burgeoning area would not be of great concern to the bar if Congress had spelled out in some detail the scope of this private remedy, or if such remedy were developing in the lower federal courts along lines parallel to those of other actions which are better understood or defined by precedent. The history of the § 43(a) false advertising action has, to date, been quite the opposite.

Congress enacted § 43(a) in one long sentence, the broad language of which apparently raises more questions than it

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3 For example, "[a]fter 1956, with the developing business ethics concept of § 43(a), there resulted an explosion of cases which, in the past two or three years, has reached epidemic proportions." Rosen, *Unfair Competition Faces a New Enemy: The Expanding Use of Section 43(a) of the Lanham Act*, FEDERAL BAR COUNCIL BENCH AND BAR CONFERENCE PROCEEDINGS 113, 115 (1982). And "[i]n the last decade, Section 43(a) has become a new arena of heated competitive battle. Literally millions of dollars can ride on the outcome of a lawsuit, if only as the result of an injunction to halt an expensive advertising campaign . . . ." Kent, *Comparative Advertising Under the Lanham Act*, N.Y. Law Journal, October 29, 1982, at 1, col. 2. *See also, e.g.*, Donegan, *Section 43(a) of the Lanham Trademark Act as a Private Remedy for False Advertising*, 37 Food Drug Cosm. L. J. 264, 264-74 (1982).

4 Actions under § 43(a) may be divided into those involving confusion of source, origin, or sponsorship, and those for false advertising. This Court has recently touched on the first type of § 43(a) action once by way of dictum, *Inwood Laboratories, Inc. v. Ives Laborarories, Inc.*, 102 S. Ct. 2182, 2186 (1982), and once by dissent. *Elby's Big Boys of Steubenville, Inc. v. Firsch's Restaurants, Inc.*, 51 U.S.L.W. 3282 (October 12, 1982) (White, J., dissenting from denial of certiorari).

answers. And lower federal courts have repeatedly insisted that the § 43(a) false advertising action is *sui generis* and is not subject to any of the restraints which decades of jurisprudence have imposed on other private federal remedies. *See, e.g., L'aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 651 (3rd Cir. 1954). In the absence of any guidance from this Court, the § 43(a) false advertising action has become a kind of no man's land, where lower federal judges may proceed on any course they choose, and where this Court's writ does not run.

B. The Propriety of Reviewing this Particular Case

Given a general need for Supreme Court authority in this area, why should the Court review this particular case?

Because of the ephemeral nature of most advertising, compared to the time frame within which courts and lawyers customarily operate, very few § 43(a) false advertising cases have been fully litigated through to a final judgment in a Court of Appeals. The few cases, such as this, which are so litigated are thus of unusually great precedential value, controlling the dispositions of dozens of other cases which do not get beyond the preliminary injunction stage.

Moreover, this case is clearly one which tests the outer limits of § 43(a)'s scope. Here, the Second Circuit has taken a claim which under any normal standards would not have merited the slightest equitable relief, because there was no satisfactory proof of irreparable injury. Yet the Second Circuit has gone on to impose a sweeping, broadly-worded injunction which seeks to prohibit and restrain a sea of undoubtedly truthful commercial speech in order to stop a few drops of supposedly "misleading" advertising.

POINT II

AS JOHNSON HAD CONSPICUOUSLY FAILED TO PROVE THAT IT WAS EITHER SUFFERING IRREPARABLE INJURY OR LIKELY TO SUFFER SUCH INJURY IN THE ABSENCE OF AN INJUNCTION, THE DISTRICT COURT WAS REQUIRED TO DISMISS ITS COMPLAINT FOR INJUNCTIVE RELIEF

A. Irreparable Injury—The Indispensable Basis for Federal Equitable Relief—Is Simply Lacking Here

Johnson's complaint in this action sought only injunctive relief. On April 7, 1980, after putting on the testimony of some 8 witnesses over some five days, Johnson rested. Carter immediately moved to dismiss on the grounds, *inter alia*, that Johnson had failed to prove that it was either being injured or likely to be injured by Carter's advertising campaign. The District Court found that Johnson had failed to prove either irreparable injury or the likelihood of injury and therefore dismissed Johnson's complaint in its entirety. 207 U.S.P.Q. at 687 (33a); 207 U.S.P.Q. at 688 (34a); (12a.)

The Court of Appeals, without in any way finding the District Court's finding of lack of irreparable injury to be clearly erroneous, nevertheless reinstated Johnson's claim. 631 F.2d at 192. (11a).

By allowing Johnson to pursue injunctive relief in the absence of any convincing proof of irreparable injury, the Court of Appeals disregarded the most fundamental rule of federal equity, a rule established by " 'several hundred years of history' " and most recently reaffirmed by this Court, per Justice White, in *Weinberger v. Romero-Barcelo*, 102 S. Ct. 1798, 1802-03 (1982):

> "It goes without saying that an injunction is an equitable remedy. It 'is not a remedy which issues as of course,' *Harrisonville v. U.S. Dickey Clay Mfg. Co.*, 289 U.S.

334, 338, 53 S.Ct. 602, 603, 77 L.Ed. 1208 (1933), or 'to restrain an act the injurious consequences of which are merely trifling.' *Consolidated Canal Co. v. Mesa Canal Co.*, 177 U.S. 296, 302, 20 S. Ct. 628, 630, 44 L.Ed. 777 (1900). An injunction should issue only where the intervention of a court of equity 'is essential in order effectually to protect property rights against injuries otherwise irremediable.' *Cavanaugh v. Looney*, 248 U.S. 453, 456, 39 S.Ct. 142, 143, 63 L.Ed. 354 (1919). The Court has repeatedly held that the basis for injunctive relief in the federal courts has always been irreparable injury and the inadequacy of legal remedies. *Rondeau v. Mosinee Paper Corp.*, 422 U.S. 49, 61, 95 S.Ct. 2069, 2077, 45 L.Ed.2d 12 (1975); *Sampson v. Murray*, 415 U.S. 61, 88, 94 S.Ct. 937, 951, 39 L.Ed. 2d 166 (1974); *Beacon Theaters, Inc. v. Westover*, 359 U.S. 500, 506-507, 79 S.Ct. 948, 954-955, 3 L.Ed.2d 988 (1959); *Hecht Co. v. Bowles*, 321 U.S. 321, 329, 64, S.Ct. 587, 591, 88 L.Ed. 754 (1944)."

B. Nothing in the Lanham Act Abrogates this Longstanding Principle of Equity

Were these equitable principles in any way abrogated by the enactment of § 43(a) of the Lanham Act? Under this Court's well-settled holdings, they were not.

This Court has refused to interpret an act of Congress as allowing the granting of equitable relief in the absence of a finding of irreparable injury unless Congress's intent to allow such relief has been expressed unambiguously, unequivocally, and unmistakably. As this Court recently held in *Weinberger v. Romero-Barcelo*, 102 S.Ct. at 1803:

> "[W]e do not lightly assume that Congress has intended to depart from established principles. *Hecht Co. v. Bowles, supra*, at 329, 64 S.Ct., at 591."

Such legislative abrogation, in the words of this Court, is not to be inferred

". . . in the absence of a clear and valid legislative command. Unless a statute in so many words, or by a necessary and inescapable inference, restricts the court's jurisdiction in equity, the full scope of that jurisdiction is to be recognized and applied. 'The great principles of equity, securing complete justice, should not be yielded to light inferences, or doubtful construction.' *Brown v. Swann*, 10 Pet. 497, 503 [9 L.Ed. 508] . . . ."

Does § 43(a) of the Lanham Act contain such a "clear and valid legislative command"? Quite to the contrary, § 43(a) says nothing at all about the availability of injunctive, equitable or any other kind of relief. And to the extent that the Lanham Act as a whole anywhere touches on the subject, all it states is that:

"The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable . . . ."

(§ 34 of the Lanham Act, 15 U.S.C. § 1116)

C. Even Under Its Own Statement of the Law, the Court of Appeals Improperly Ignored the District Court's Finding of Fact of Lack of Irreparable Injury

What is particularly disturbing about this case is that, even on its own apparently erroneous reading of § 43(a), the Court of Appeals erred by ignoring the District Court's finding of fact. *E.g., Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 102 S.Ct. 2182 (1982).[5]

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5 In *Inwood Laboratories*, this Court noted:

"Of course, if the trial court bases its findings upon a mistaken impression of applicable legal principles, the reviewing court is not bound by the clearly erroneous standard. *United States v. Singer Manufacturing Co.*, 374 U.S. 174, 194 N.9, 83 S.Ct. 1773, 1784 N.9, 10 L.Ed.2d 823 (1963). However, in this instance the District Court applied correct legal principles when it adopted the precise

Both the Court of Appeals and the District Court agreed that the crucial legal question was whether Johnson had factually demonstrated the existence of a "likelihood of damage." The Court of Appeals, however, proceeded to ignore the District Court's finding on this point, a finding of fact which the District Court emphasized three times, both on oral disposition of Carter's motion (12a) and in its opinion, 207 U.S.P.Q. at 687 (33a), 207 U.S.P.Q. at 688 (34a), and erroneously proceeded to determine this factual question *de novo*.

Thus, the Court of Appeals held as follows:

> "The correct standard is whether it is *likely* that Carter's advertising has caused or will cause a loss of Johnson sales, not whether Johnson has come forward with specific evidence that Carter's ads actually resulted in some definite loss of sales."

631 F.2d at 190 (7a).

But, this is exactly the legal standard which the District Court did apply in making its findings of fact:

> "In the case at hand, however, J&J has failed to carry its burden of proving the existence of any damages *or* the *likelihood* of damages—apart from the problem of quantifying the alleged damages."

207 U.S.P.Q. at 688 (34a, emphasis supplied).

The District Court also emphasized that it had decided the factual issue of likelihood of damage when it announced its decision orally from the bench:

> "[T]he Court feels that it is required to grant [Carter's] motion on the ground that the plaintiffs have failed to prove any injury *or likelihood of injury* . . . ."

(12a, emphasis supplied.)

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test developed by the Court of Appeals. *Compare* 601 F.2d, at 636 *with* 488 F. Supp., at 397."

102 S. Ct. at 2189 n.15.

In its opinion, the District Court once again stated that

> "Defendant's motion to dismiss was granted on the ground that J&J failed to carry its burden of proving damage *or the likelihood of damage* by Carter's alleged false advertising."

207 U.S.P.Q. at 687 (33a, emphasis supplied).

Accordingly, the Court of Appeals erred as a matter of law when, as the very touchstone of its opinion, it held "that the district court's construction of the statute placed too high a burden on the plaintiff in this case," 631 F.2d at 190 (7a).

Given the District Court's finding of fact on the determinative issue in this case—the likelihood of injury—the question before the Court of Appeals was whether that finding was clearly erroneous.

Johnson never challenged this finding. Indeed, Johnson unequivocally stated that "[w]e do not, however, challenge the trial court's findings of fact regarding injury." (1590 JA.) Nor does the Court of Appeals' opinion indicate in any respect that that Court viewed the District Court's factual finding as to likelihood of injury as clearly erroneous. To the contrary, the Court of Appeals held "that the evidence offered by Johnson" in favor of a contrary finding was "not overwhelming." 631 F.2d at 190 (7a).

Far from being "overwhelming," the Court of Appeals found Johnson's evidence of likelihood of damage to be at best "sufficient," 631 F.2d at 190 (7a); "enough," 631 F.2d at 191 (9a) or "sufficient to withstand a motion to dismiss[.]" 631 F.2d at 188 (3a). But it is well-settled that a District Judge is "empowered to dismiss on the merits under Rule 41(b)" at the close of plaintiff's case even though the plaintiff's "evidence established a prima facie case that would have precluded a directed verdict for the defendant in a jury trial[.]" *Huber v. American President Lines*, 240 F.2d 778, 779 (2d Cir. 1957).

This was at best a "case where the evidence would support a conclusion either way but where the trial court has decided it to

weigh more heavily for the defendants[,]" a decision which "is not 'clearly erroneous.' " *United States v. Yellow Cab Co.*, 338 U.S. 338, 342 (1949). *Accord, e.g., United States v. National Association of Real Estate Boards*, 339 U.S. 485, 495-96 (1950).

POINT III

ASSUMING *ARGUENDO* THAT THERE WAS ANY FACTUAL PREDICATE FOR ANY QUANTUM OF INJUNCTIVE RELIEF, THE INJUNCTION ACTUALLY ENTERED WAS FAR TOO BROAD AND INDEFINITE

Under the principles established by " 'several hundred years of history,' " *Weinberger v. Romero-Barcelo*, 102 S.Ct. at 1803, no injunction whatsoever should have been entered in this case. The same "several hundred years of history" also teach that any injunction against speech, if allowed at all, should be drawn as narrowly and precisely as possible so as not to interfere with truthful speech. This principle was also ignored by both courts below. Three rules should have guided the courts below in framing injunctive relief; all three were ignored.

A. Congress Explicitly Limited The Court's Power To "False Descriptions or Representations"

The civil action created by Congress is expressly limited to a suit against a "false description or representation." Lanham Act, § 43(a), 15 U.S.C. § 1125(a).

Nothing in the statute indicates an intention to give the courts broad discretionary regulatory power over advertising, packaging and labelling generally, but only power to prohibit such "false description or representation."

B. The Injunction Entered Was Insufficiently Specific To Give Notice Of the Exact Conduct Prohibited

Rule 65(d) of the Federal Rules of Civil Procedure provides:

> "Every order granting an injunction . . . shall be specific in terms; shall describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained . . . ."

This Court, in *International Longshoremen's Association, Local 1291 v. Philadelphia Marine Trade Association*, 389 U.S. 64, 76 (1967), has insisted on strict compliance with this rule.

> "The order in this case clearly failed to comply with that rule, for it did not state in 'specific . . . terms' the acts that it required or prohibited. The Court of Appeals viewed this error as 'minor and in no way decisional.' We consider it both serious and decisive.
>
> "The judicial contempt power is a potent weapon. When it is founded upon a decree too vague to be understood, it can be a deadly one. Congress responded to that danger by requiring that a federal court frame its orders so that those who must obey them will know what the court intends to require and what it means to forbid. Because the decree of this District Court was not so framed, it cannot stand."

This rule was reaffirmed in *Schmidt v. Lessard*, 414 U.S. 473, 476-77 (1974):

> "As we have emphasized in the past, the specificity provisions of Rule 65(d) are no mere technical requirements. The Rule was designed to prevent uncertainty and confusion on the part of those faced with injunctive orders, and to avoid the possible founding of a contempt citation on a decree too vague to be understood. [citation omitted] Since an injunctive order prohibits conduct un-

der threat of judicial punishment, basic fairness requires that those enjoined receive explicit notice of precisely what conduct is outlawed.

The requirement of specificity in injunction orders performs a second important function. Unless the trial court carefully frames its orders of injunctive relief, it is impossible for an appellate tribunal to know precisely what it is reviewing. [citation omitted] We can hardly begin to assess the correctness of the judgment entered by the District Court here without knowing its precise bounds. In the absence of specific injunctive relief, informed and intelligent appellant review is greatly complicated, if not made impossible."

C. Overly Broad Injunctions Against Commercial Speech Are Prohibited By The First Amendment

An additional requirement of narrowness and specificity is imposed by the First Amendment, pursuant to the commercial speech doctrine. As this Court recently and unanimously held in *In Re R. M. J.*, 455 U.S. 191, 203 (1982):

> "Truthful advertising related to lawful activities is entitled to the protections of the First Amendment."

Although a government may constitutionally prohibit false advertising, such a restriction "may be no broader than reasonably necessary to prevent the deception." (455 U.S. at 203.)

Any such restriction must be framed "with care and in a manner no more extensive than reasonably necessary to further substantial interests." (455 U.S. at 207.)

D. The Injunction Entered In This Action Is Neither Specific Nor Comprehensible

The District Court's injunction in this action (41a-42a) seems designed as a starting point for years of litigation, rather than an ending point:

1. Defendant Carter-Wallace, Inc. and its officers, agents, and all other persons and/or entities acting on its behalf are hereby enjoined and restrained from broadcasting, publishing or causing any television network or local television station, or any magazine or any other print medium, to broadcast or publish any commercial advertisement which conveys to the consumer, either explicitly or implicitly, the message that use of Nair with baby oil will bestow a "twin benefit" of hair removal and moisturization, and thus obviate the need to use any other moisturizing product;

2. Carter-Wallace and its agents, as described above, are further enjoined from emphasizing Nair's baby oil ingredient in any advertising medium or packaging in such a fashion that the consumer would perceive that the baby oil ingredient alone was the cause of Nair with baby oil's softer and smoother effect, rather than the fact that the effect being achieved is via improved consistency, resulting in better adherence to the skin and hair shaft, and more effective depilation due to those factors and to the chemical degradation of the outer skin cells;

3. Carter-Wallace and its agents, as described above, are further enjoined from highlighting the baby oil ingredient on the Nair label, packaging and print advertising.

E. The Paradoxical Third Decretal Paragraph

Even if there were some basis in the record for issuing some sort of injunction against Carter's packaging and labelling for NAIR, there is simply no way in which the third decretal paragraph of the District Court's injunctive order (42a) could be sustained.

The District Court's earlier opinion dismissing Johnson's claims noted that "[i]n the case at hand, Carter has merely included baby oil in its product and included the generic term 'baby oil' in its advertising." 207 U.S.P.Q. at 689 (38a).

The District Court's most recent decision, too, could not have been more clearly in favor of Carter on this issue:

> ". . . the claim that Nair contains Baby Oil is certainly not disputed. In the absence of a definitive ruling by the Second Circuit that a truthful and unambiguous product claim may be barred under Section 43(a), and given the fact that the claim here is truthful, the court cannot agree with Johnson's position that any mention of baby oil must be prohibited."

(66a-67a.)

The District Court's injunctive order, filed simultaneously with its opinion, however, did a 180-degree turn from the opinion and prohibited Carter "from highlighting the baby oil ingredient on the NAIR label, packaging and print advertising[.]" (42a.)

No order could have been more paradoxical.

First, the District Court has for some reason enjoined Carter from promulgating a message which it finds to be "truthful and unambiguous" (66a-67a). No explanation has been offered for this bizarre *volte-face*. Whatever the exact scope of § 43(a) of the Lanham Act, no decision has ever suggested that the Act gives the court any power to regulate truthful and unambiguous claims.

Second, even though all the evidence at trial was directed toward alleged implicit messages conveyed by Carter's television commercials, the District Court's order against "highlighting" applies only to the "NAIR label, packaging and print advertising" and does not apply at all to television commercials.

Third, there is simply no way anyone can tell what is meant by "highlighting." It is not defined by the Court; it is not defined by law or decision; it is not defined in the order; it is not defined by trade custom or practice. No one knows what it means in terms of size, color or placement of lettering or other

graphic detail. Yet, the penalty for making a wrong guess on this issue is the contempt power of a United States District Court, and this injunction, unless reversed by this Court, will remain in effect in perpetuity.

F. Carter Cannot Ascertain In Advance What "the Consumer Would Perceive"

The operative language of the first and second decretal paragraphs is equally troubling. Instead of telling Carter what it could or could not say—a decree which, right or wrong, would at least provide a clear basis for Carter's own planning and reasoned appellate review—the District Court has prohibited Carter from employing any advertising which "conveys to the consumer" or from which "the consumer would perceive" certain messages, whatever the actual form or language of the advertisement (41a-42a).

As the history of this case indicates, what the consumer actually perceives from a given advertisement or commercial is at best a matter of conjecture and debate. Thus, in this case, the District Court reached diametrically opposite conclusions on the identical evidence as to the message perceived by consumers from the identical NAIR with baby oil commercial at the preliminary injunction hearing in 1979 (26a-27a), and at the trial on the merits in 1981 (55a-56a).

G. The "Moisturization" Puzzle

This puzzle of interpretation is compounded by the District Court's use of the terms "moisturization" and "moisturizing" as operative terms of its first decretal paragraph (41a). As the District Court recognized, "moisturization" is a word which has no generally accepted meaning (56a). Carter has never used the word "moisturization" in connection with NAIR. Johnson's principal expert witness recognized that the word "moisturization" has 27 different meanings and is a "bad term." (1919JA, 1940JA) According to the District Court's own view of the facts, NAIR does "moisturize" in some senses of the word, although not in others.

In sum, Carter is required to attempt to comply with a tripartite Injunctive Order whose operative terms the District Court itself has found to be vague and imprecise. By couching the injunction in such imprecise and uninformative terms, the courts below have improperly left Carter and its counsel up " 'in the sky' " where any prediction of the ultimate scope of the injunction amounts to " 'shooting in the dark.' " *International Longshoremen's Association, Local 1291 v. Philadelphia Marine Trade Association*, 389 U.S. 64, 71, 72 (1967).

CONCLUSION

WHEREFORE, it is respectfully requested that this petition for certiorari be granted.

Dated: New York, New York
January 19, 1983

Respectfully submitted,

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Opinion of the United States Court of Appeals
For the Second Circuit

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

No. 80-7318

JOHNSON & JOHNSON, a corporation,

Plaintiff-Appellant,

—v.—

CARTER-WALLACE, INC., a corporation,

Defendant-Appellee.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

Argued June 12, 1980

Before: LUMBARD and MANSFIELD, *Circuit Judges**

(Opinion filed Sept. 25, 1980)

Before LUMBARD and MANSFIELD, *Circuit Judges.**

* Honorable William O. Mehrtens, Senior District Judge for the Southern District of Florida, sitting by designation, participated in the hearing of this appeal. Judge Mehrtens voted in favor of the disposition herein made, but due to his subsequent illness and death did not have an opportunity to review this opinion. Accordingly the appeal is being disposed of by the other two judges as provided in Second Circuit Rule § 0.14.

Appeal from a judgment entered in the United States District Court for the Southern District of New York, Motley, J., dismissing the claim of appellant, Johnson & Johnson, for injunctive relief brought under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), against appellee, Carter-Wallace, Inc., for false advertising.

Reversed and remanded.

THOMAS C. MORRISON, Esq., New York, NY (David F. Dobbins, Esq., Christine H. Miller, Esq., Frederick J. Baumann, Esq., Roger S. Fine, Esq., Patterson, Belknap, Webb & Tyler, New York, NY, of counsel), *for Appellant.*

STEPHEN R. LANG, Esq., New York, NY (Paul J. Weiner, Esq., Robert S. Getman, Esq., Breed, Abbott & Morgan, New York, NY, of counsel), *for Appellee.*

OPINION OF THE COURT

MANSFIELD, *Circuit Judge.*

Johnson & Johnson ("Johnson"), manufacturer of Johnson's Baby Oil and Johnson's Baby Lotion, appeals from a judgment of the United States District Court for the Southern District of New York, entered by Judge Constance Baker Motley, dismissing at the end of the plaintiff's case during a non-jury trial its suit for injunctive relief brought under § 43(a) of the Lanham Act,* 15 U.S.C. § 1125(a), against Carter-Wal-

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* Section 43(a) of the Lanham Trade-Mark Act, 15 U.S.C. § 1125(a), provides:

lace ("Carter"), the manufacturer of NAIR, a leading depilatory product. Because we believe Johnson's showing on the required elements of its false advertising claim was sufficient to withstand a motion to dismiss, we reverse and remand for further proceedings.

Johnson's claim arises out of Carter's use of baby oil in NAIR and its advertising campaign regarding that inclusion. In 1977, Carter added baby oil to its NAIR lotion and initiated a successful advertising campaign emphasizing this fact. NAIR is sold in a pink plastic bottle with the word "NAIR" written in large, pink letters. A bright turquoise-blue banner, open at both ends, contains the words "with baby oil." In addition to its packaging of NAIR, Carter's television advertisements emphasize that NAIR contains baby oil.*

> "Any person who shall affix, appiy, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation."

* The court has viewed samples of Carter's television advertisements. Carter's commercials all featured several young women dancing and singing while dressed in clothing that revealed their legs. A typical audio portion of these commercials is as follows:

> "Who's got Baby Oil?
> Nair's got Baby Oil.
> If you're a baby goil, Nair with Baby Oil.
> Nair with Baby Oil.
> It takes off the hair . . .
> so your legs feel baby-smooth.
> And Nair's baby-soft scent . . .
> smells terrific, baby.
> Who's got Baby Oil?
> Nair's got Baby Oil.
> Soft-smelling Nair with Baby Oil.
> Nair, for baby-smooth legs."

Alleging (1) that Carter is making false claims for NAIR with baby oil and (2) that it is packaging and advertising NAIR so as to give consumers the false impression that NAIR is a Johnson & Johnson product, plaintiff filed the instant suit for injunctive relief under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and under New York's common law of unfair competition. Section 43(a) of the Lanham Act provides for two separate causes of action: one is for "false designation of origin," the other for a "false description or representation, including words or symbols tending falsely to describe or represent" the product. Johnson's false representation claim alleges that Carter's "NAIR with baby oil" campaign falsely represents to consumers that the baby oil in NAIR has moisturizing and softening effect on the skin of the user. While recognizing that Carter's advertising makes no explicit claims for its product, Johnson alleges that this claim is implicit in the manner in which NAIR has been marketed. It contends that these false claims have unfairly dissuaded consumers from using its products in favor of NAIR with baby oil.

Johnson's application for a temporary restraining order was denied by the district court, as was its motion for a preliminary injunction. The motion for a preliminary injunction was denied in a memorandum order dated August 15, 1979, D.C., 487 F. Supp. 740, in which the district court found that plaintiff had failed to make the requisite showing for either its false designation of origin claim or its false advertising claim.

The bench trial of the suit was conducted from March 31, 1980 to April 7, 1980. Pursuant to Rule 65(a) of the Federal Rules of Civil Procedure, the parties relied upon previous testimony and evidence presented at the preliminary injunction hearing. Although plaintiff offered no new evidence on its false designation of origin claim, it did present new testimony and evidence on the false advertising claim. At the close of plaintiff's case, the trial court granted defendant's motion to dismiss the action. Plaintiff appeals from the dismissal of its false advertising claim under § 43(a). The propriety of the dismissal of its false designation of origin claim is not raised on appeal.

In dismissing Johnson's false advertising claim, the trial court did not reach either the question of whether Carter advertises or implies in its advertising that baby oil as an ingredient in NAIR has a moisturizing and softening effect, or the issue of whether such a claim is false. Instead, its dismissal was "granted on the ground that [Johnson] failed to carry its burden of proving damage or the likelihood of damage." Just what that burden is and what evidence will satisfy it, are the central issues in this appeal.

Discussion

Prior to the enactment of § 43(a) of the Lanham Act, false advertising claims were governed by the common law of trade disparagement. Under the common law, liability was generally confined to "palming-off" cases where the deceit related to the origin of the product. *Ely-Norris Safe Co. v. Mosler Safe Co.*, 7 F.2d 603 (2d Cir. 1925), *revd. on other grounds*, 273 U.S. 132, 47 S.Ct. 314, 71 L. Ed. 578 (1926); 2 McCarthy, *Trademarks and Unfair Competition*, § 27:1 at 242 (1973). In these cases the offending product was foisted upon an unwary consumer by deceiving him into the belief that he was buying the plaintiff's product (normally an item with a reputation for quality). Other instances of false advertising were safe from actions by competitors due to the difficulty of satisfying the requirement of proof of actual damage caused by the false claims. In an open market it is normally impossible to prove that a customer, who was induced by the defendant through the use of false claims to purchase the product, would have bought from the plaintiff if the defendant had been truthful.

The passage of § 43(a) represented a departure from the common law action for trade disparagement and from the need to prove actual damages as a prerequisite for injunctive relief. This departure marked the creation of a "new statutory tort" intended to secure a market-place free from deceitful marketing practices. *L'Aiglon Apparel v. Lana Lobell, Inc.*, 214 F.2d 649, 651 (3d Cir. 1954); *Bose Corp. v. Linear Design Labs, Inc.*, 467 F.2d 304, 311 (2d Cir. 1972). The new tort, as

subsequently interpreted by the courts, differs from the common law action for trade disparagement in two important respects: (1) it does not require proof of intent to deceive, and (2) it entitles a broad range of commercial parties to relief. *See, Alfred Dunhill Ltd. v. Interstate Cigar Co., Inc.*, 499 F.2d 232, 236 (2d Cir. 1974); *L'Aiglon Apparel, supra*, 214 F.2d at 651.

The broadening of the scope of liability results from a provision in § 43(a) allowing suit to be brought "by any person who believes that he is or is likely to be damaged by the use of any false description or representation." 15 U.S.C. § 1125(a). Whether this clause is viewed as a matter of standing to sue, *see, Potato Chip Institute v. General Mills*, 333 F. Supp. 173, 179 (D. Neb. 1971), *aff'd*, 461 F.2d 1088 (8th Cir. 1972), or as an element of the substantive claim for relief, certain bounds are well established. On the one hand, despite the use of the word "believes," something more than a plaintiff's mere subjective belief that he is injured or likely to be damaged is required before he will be entitled even to injunctive relief. *See, Chromium Industries v. Mirror Polishing & Plating*, 448 F. Supp. 544, 554 (N.D. Ill. 1978); *D.M. Antique Import Corp. v. Royal Saxe Corp.*, 311 F. Supp. 1261, 1269 n.6 (S.D.N.Y. 1970). On the other hand, as the district court in this case recognized, a plaintiff seeking an injunction, as opposed to money damages, need not quantify the losses actually borne. What showing of damage in between those two extremes will satisfy the statute is the subject of the instant dispute.

Johnson claims, in effect, that once it is shown that the plaintiff's and the defendant's products compete in a relevant market and that the defendant's ads are false, a likelihood of damage sufficient to satisfy the statute should be *presumed* and an injunction should issue "as a matter of course."* The district court, in contrast, drew the line as follows: "Of course,

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* Specifically, Johnson alleges that it has suffered a loss in sales of Baby Lotion and Baby Oil and also a tarnishment of the reputation of these products due to Carter's alleged false advertising. The district court rejected Johnson's tarnishment theory of damage and we believe that this rejection was not clearly erroneous.

J&J [Johnson] need not quantify its injury in order to obtain injunctive relief. But J&J must at least prove the existence of some injury caused by Carter." The court had said that "J&J has failed to prove that its loss of sales was in any way *caused* by NAIR's allegedly false advertising."

Both the case law and the policy behind § 43(a) indicate that the district court's construction of the statute placed too high a burden on the plaintiff in this case. To require a plaintiff to "prove the existence of some injury caused by" the defendant, is to demand proof of actual loss and specific evidence of causation. Perhaps a competitor in an open market could meet this standard with proof short of quantified sales loss, but it is not required to do so. The statute demands only proof providing a reasonable basis for the belief that the plaintiff is likely to be damaged as a result of the false advertising. The correct standard is whether it is *likely* that Carter's advertising has caused or will cause a loss of Johnson sales, not whether Johnson has come forward with specific evidence that Carter's ads actually resulted in some definite loss of sales. *Parkway Baking Co. v. Freihofer Baking Co.*, 255 F.2d 641, 649 (3d Cir. 1958); *Ames Publishing Co. v. Walker-Davis Publications, Inc.*, 372 F. Supp. 1, 13 (E.D. Pa. 1974); 2 J.T. McCarthy, *Trademarks and Unfair Competition*, § 27:5 at 249-50 (1973). Contrary to Johnson's argument, however, the likelihood of injury and causation will not be presumed, but must be demonstrated. If such a showing is made, the plaintiff will have established a reasonable belief that he is likely to be damaged within the meaning of § 43(a) and will be entitled to injunctive relief, as distinguished from damages, which would require more proof. We believe that the evidence offered by Johnson, though not overwhelming, is sufficient to prove a likelihood of damage from loss of sales.

Initially, we find that Johnson has shown that it and Carter are competitors in a relevant market. Although Johnson's Baby Oil and Lotion do not compete with NAIR in the narrower depilatory market, they do compete in the broader hair removal market. NAIR is used for hair removal by depilation. Johnson's Baby Lotion has been promoted as a

substitute for shaving cream and is used for removal of hair by shaving. Also, both of Johnson's products are used as skin moisturizers after shaving or after the use of depilatories. Such indirect competitors may avail themselves of the protection of § 43(a); the competition need not be direct. *Rare Earth Inc. v. Hoorelbeke*, 401 F. Supp. 26, 39 (S.D.N.Y. 1975); *Chromium Industries, supra*, 448 F. Supp. at 554. Moreover, Carter's advertising campaign itself, by its emphasis on baby oil, directly links the depilation and the moisturizer markets. Johnson's stake in the shaving market gives it a "reasonable interest to be protected against the alleged false advertising." 1 R. Callman, *Unfair Competition, Trademarks and Monopolies*, § 18.2(b) at 625 (3d ed. 1967).

To prove a likelihood of injury Johnson must also show a logical causal connection between the alleged false advertising and its own sales position. This it has done with specific evidence. It has shown that large numbers of consumers in fact use its baby lotion for shaving and its baby oil as an aftershave and after-depilation moisturizer. Carter's "NAIR with baby oil" campaign affects both markets. First, NAIR's share of the hair removal market has increased since its baby oil advertising began. For each new depilatory user, a corresponding decline in the use of shaving products such as oils and lotions appears probable. Second, the use of baby oil after depilation is likely to be reduced if, as Johnson contends, Carter's advertising conveys to consumers the idea that NAIR's baby oil has a moisturizing and softening effect and leads the consumer to believe that use of a second, post-depilation, moisturizer is unnecessary. Of course, if Carter's ads are truthful, then its gains at Johnson's expense are well earned. If false, however, the damage to Johnson is unfair.

Johnson's case is supported by more than just the above logic. First, sales of its baby oil have in fact declined. Second, a consumer witness testified at trial that she switched from use of baby oil by shaving to NAIR because it was advertised as containing baby oil. Third, Johnson introduced surveys indicating that some people, after viewing NAIR ads, thought they would not have to use baby oil if they used NAIR. Together,

Johnson's evidence was enough to prove a likelihood of competitive injury resulting from the NAIR advertising.

That much of the decline in Johnson's Baby Oil sales may be due to competition from lower priced baby oils, does not save Carter. In *Donsco Inc. v. Casper Corp.*, 587 F.2d 602, 607 (3d Cir. 1978), for example, the court found that "the decline in Donsco's [the plaintiff's] sales is largely attributable to increased competition from lower-priced competitors and to Donsco's slow delivery of its [product]." Although it refused to award damages, it upheld the grant of an injunction. Further, the possibility that the total pecuniary harm to Johnson might be relatively slight does not bar injunctive relief. *See Ames Publishing Co., supra*, 372 F. Supp. at 13.

Finally, Johnson's inability to point to a definite amount of sales lost *to Carter* (a failure which would bar monetary relief) does not preclude injunctive relief. Likelihood of competitive injury sufficient to warrant a § 43(a) injunction has been found in the absence of proof of actual sales diversion in numerous cases. *See American Home Products Corp. v. Johnson & Johnson*, 436 F. Supp. 785 (S.D.N.Y. 1977), *aff'd*, 577 F.2d 160 (2d Cir. 1978); *Quabaug Rubber Co. v. Fabiano Shoe Co., Inc.*, 567 F.2d 154 (1st Cir. 1977); *Potato Chip Institute, supra*; *Parkway Baking Co., supra*; *American Brands, Inc. v. R.J. Reynolds Tobacco Co.*, 413 F. Supp. 1352 (S.D.N.Y. 1976); *Ames Publishing Co., supra*; *Mutation Mink Breeders Assn. v. Lou Nierenberg Corp.*, 23 F.R.D. 155 (S.D.N.Y. 1959). Although the overall likelihood of harm to the plaintiff from the defendant's ads in some of these cases was perhaps greater than here, *e.g., American Home Products Corp., supra* (defendant's false advertising disparaged plaintiff's product); *Quabaug Rubber Co., supra* ("palming off" of shoe soles by defendant to create impression they were made by plaintiff); *American Brands Inc., supra* (suit by cigarette manufacturer based on defendant's claim that its cigarettes had "the lowest tar of all cigarettes"), there was little or even no evidence of any actual sales losses to the defendant. Moreover, in other of the above cases granting injunctive relief despite the absence of proof of any specific loss attributable to the false advertising, the likelihood of damage was no greater than it is in this case.

See, e.g., Ames Publishing Co., supra, 372 F. Supp. at 12;* *Potato Chip Institute, supra,* 333 F. Supp. at 179; *Mutation Mink, supra,* 23 F.R.D. at 161 ("The plaintiffs did not monopolize the industry and proof of actual diversion of trade was, therefore, in all practical respects, impossible . . . . [T]he 'likely to be damaged' provision of § 43(a) obviates the necessity of proving actual diversion of trade.")

Neither *Mutation Mink* nor *Potato Chip Institute* can be discounted as "palming-off" cases. The advertising claims made by the defendants in those two cases tended to create the impression that their products were either genuine mink or genuine potato chips, respectively. But these are both generic terms. False generic description of a product is very different from a false designation of origin which trades on a particular competitor's goodwill, as in *Quabaug Rubber.* Conveying a false impression that the product *is* a certain generic item is no more likely to divert trade than conveying a false impression that additional *use* of a generic product is unnecessary. The latter deceit is the type alleged by Johnson.

Sound policy reasons exist for not requiring proof of actual loss as a prerequisite to § 43(a) injunctive relief. Failure to prove actual damages in an injunction suit, as distinguished

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* In *Ames Publishing* the court found no proof of actual diversion of trade from the plaintiffs to the defendants.

> "Other than a showing of a diminution of units of advertising sold for the current year, plaintiffs have not shown any reliance by advertisers on the false representations nor have they shown that the primary cause of their loss of advertising was due to the false claims of defendants. In fact, there is a distinct lack of any testimony on this record provided by either party from independent advertisers in the field." 372 F. Supp. at 12.

Nonetheless, the court granted an injunction:

> "In actions under Section 43(a) of the Lanham Act, as previously indicated, a plaintiff need not show he was actually damaged by the false representations of defendant, but need only show a likelihood of damage. *Parkway Baking Co. v. Freihofer Baking Co., supra.* We have heretofore concluded that plaintiffs have made the requisite showing, and where such a showing is made, injunctive relief under Section 43(a) of the Lanham Act may be granted even where pecuniary injury to the plaintiff may be slight." 372 F. Supp. at 13.

from an action for damages, poses no likelihood of a windfall for the plaintiff. The complaining competitor gains no more than that to which it is already entitled—a market free of false advertising.

While proof of actual diversion of sales is not required for a § 43(a) injunction to issue, proof that the advertising complained of is in fact false is essential. This issue, though briefed by parties in this case, is not before the court at this time. The district court did not reach the question for purposes of determining whether permanent relief should issue. Since the action was dismissed at the close of the plaintiff's case, Carter was afforded no opportunity to introduce additional evidence answering the plaintiff on this point. Johnson, having shown that it is likely to be damaged by Carter's advertising, must prove that the NAIR advertising was false before being entitled to injunctive relief under the Lanham Act. Should the district court find that the defendant's advertising conveys a false message, irreparable injury for the purpose of injunctive relief would be present for the very reason that in an open market it is impossible to measure the exact amount of Johnson's damages. *See Quabaug Rubber, supra*, 567 F.2d at 161; *Ames Publishing*, *supra*, 372 F. Supp. at 13; *Geisel v. Poynter Products*, 283 F. Supp. 261 (S.D.N.Y. 1968).

Accordingly, this cause is reversed and remanded for further proceedings in conformity with this opinion.* We retain jurisdiction.

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* The record discloses strong evidence, including Carter's internal documents, admissions of its chief executive, independent expert opinion, and consumer surveys, that Carter's advertising of "NAIR with baby oil," some of which we viewed upon argument, is perceived as informing the public that the baby oil in NAIR has moisturizing benefits, leaving the skin smoother and softer than it would be without the oil. *See American Home Products Corp. v. Johnson & Johnson*, 577 F.2d 160 (2d Cir. 1978); *American Brands, Inc. v. R.J. Reynolds Tobacco Co.*, 413 F. Supp. 1352 (S.D.N.Y. 1976). Indeed, from our review of the record and viewing of the NAIR advertisements the purpose and effect of the latter clearly appears to have been to lead consumers to believe that if they used NAIR with baby oil they would gain benefits from the product in the form of a moisturizing or softening effect not realized when baby oil is absent. Upon remand, therefore, the essential issue will be whether the presence of baby oil in NAIR does in fact have such a moisturizing or softening effect.

Oral Bench Order of Motley, *D.J.*
Granting Judgment in Favor of Defendant

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Civil No. 78-3986
April 7, 1980

JOHNSON & JOHNSON, a corporation,

Plaintiff,

—v.—

CARTER-WALLACE, INC., a corporation,

Defendant.

THE COURT: With respect to this motion made by the defendant Carter-Wallace at the end of the plaintiff's case, the Court feels that it is required to grant that motion on the ground that the plaintiffs have failed to prove any injury or likelihood of injury, and with respect to that the Court will file a brief memorandum opinion which will supplement the Court's opinion on the motion for preliminary injunction.

Order of Motley, *D.J.* Denying Motion for Preliminary Injunction

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Civil No. 78-3986
August 10, 1979

JOHNSON & JOHNSON, a corporation,

Plaintiff,

—v.—

CARTER-WALLACE, INC., a corporation,

Defendant.

ORDER

Plaintiff's motion for a preliminary injunction is denied. Opinion will follow.

Dated: New York, New York
August 10, 1979

SO ORDERED

/s/ Constance Baker Motley, U.S.D.J.
Constance Baker Motley, U.S.D.J.

Memorandum Opinion of Motley, *D.J.*
Denying Motion for Preliminary Injunction

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Civil No. 78-3986
August 10, 1979

JOHNSON & JOHNSON, a corporation,

Plaintiff,

—v.—

CARTER-WALLACE, INC., a corporation,

Defendant.

MEMORANDUM OPINION

MOTLEY, District Judge.

Plaintiff Johnson & Johnson (J&J) has brought this suit against Carter-Wallace, Inc. (Carter) under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) and New York's law of unfair competition. J&J is the manufacturer of Johnson's Baby Oil and Johnson's Baby Lotion, among other products. Carter is the manufacturer of Nair, a depilatory. The controversy centers around the fact that Nair contains baby oil. Carter's advertising campaign for Nair has emphasized this ingredient. J&J alleges that Carter has packaged and marketed Nair in such a manner as to give consumers the false impression that Nair is a J&J product. J&J also alleges that Carter has made false claims for Nair. J&J's application for a tem-

porary restraining order was denied. Plaintiff has moved for a preliminary injunction. This motion is denied.

False Designation of Origin Claim

Plaintiff's first claim is that Carter's use of a banner on the Nair bottle combined with use of the words "with baby oil" falsely designates the origin of the product as Johnson & Johnson. J&J claims that the advertisements for Nair reinforce this false impression.

Section 43(a) of the Lanham Act prohibits false designation of the origin of a product or any false description or representation "including words or other symbols tending falsely to describe or represent the same." The statute protects the interests of all persons faced with economic injury, not just the direct competitor. *Scarves by Vera, Inc. v. Todo Imports Ltd. (Inc.)*, 544 F.2d 1167 (2d Cir. 1976). The test for false designation of origin requires the court to ask whether Nair's trade-dress and advertisements are likely to confuse or deceive customers. *American Home Products Corp. v. Johnson & Johnson*, 577 F.2d 160 (2d Cir. 1978). This is the same standard which applies in cases of trademark infringement. *Harold F. Ritchie Inc. v. Chesebrough-Pond's Inc.*, 281 F.2d 755, 761 (2d Cir. 1960). However, the purpose of the Lanham Act is "exclusively to protect the interests of a purely commercial class against unscrupulous commercial conduct . . . virtually without regard for the interests of consumers generally. . . ." *Colligan v. Activities Club of New York, Ltd.*, 442 F.2d 686 (2d Cir.), *cert. denied*, 404 U.S. 1004, 92 S. Ct. 559, 30 L. Ed.2d 557 (1971).

Nair is sold in a pink plastic bottle. The word Nair is written in large letters in a shocking pink color. A bright turquoise blue banner contains the words "with baby oil". The banner is open at both ends. Johnson's Baby Lotion is sold in a plastic bottle of a slightly lighter shade of pink. The words "Johnson's baby lotion" are written in dark navy blue. A pink flag, with one end open and the other closed, contains the words "softens and protects". Johnson's Baby Lotion does not contain any baby

oil. Johnson's Baby Oil is sold in a clear plastic bottle with a paper label. The label is white. "Johnson's baby oil" is written in dark navy blue letters. A pink flag, identical to the one on the baby lotion bottle, contains the words "pure and gentle". The shapes of the three bottles are different.

Although J&J has a registered trademark for its flag design, it does not allege that Carter has infringed its trademark for that design. J&J contends that it is the combined effect of the "baby oil concept" and the allegedly similar flag that violates the Lanham Act.

J&J has erased the flag shape from the Baby Oil and Baby Lotion bottles in its depiction of such bottles in television and print advertising since 1966. This was apparently done by J&J's advertising company in order to improve the visual impact of the J&J name on the bottles.

Carter has been marketing Nair since the 1940's. In 1975 Carter began a new advertising campaign for Nair which emphasized its cosmetic nature. The first television commercial, "Short shorts", was broadcast in 1975 and 1976 and was very successful. Carter attributes the upturn in Nair sales to the success of the advertisement. In 1977 Carter added baby oil to Nair lotion. The three other formulations of Nair—cream, spray and foam—already contained baby oil. Baby oil constitutes approximately ten percent of Nair. The baby oil had been included in Nair initially to improve the consistency for application and to insure that the product would adhere to the hair shaft. In 1977 Carter also added "Noville", a new fragrance to Nair. In the same year Carter began to emphasize in its advertisements that Nair contained baby oil. Also in 1977, Carter showed a commercial called "Fire Escape". In 1978 and 1979 Carter showed a commercial called "Coney Island". All three of these commercials consist of several young women, dressed in clothing which reveals their legs (such as short shorts, baby doll pajamas, jogging suits) dancing and singing. The audio portion of the current commercial, "Coney Island", is as follows:

> "Who's got baby oil?
> Nair's got baby oil.

If you're a baby girl.
Nair with baby oil.
Nair with baby oil.
It takes off the hair so your legs feel baby smooth.
And Nair's baby-soft scent smells terrific, baby.
Who's got baby oil?
Nair's got baby oil.
Soft-smelling Nair with baby oil.
Nair for baby smooth legs."

At the end of the commercial, the words "from Carter-Wallace" are superimposed in small letters. The print advertisements for Nair are in the same format.

The court finds from a visual comparison of the J&J bottles and the Nair bottle that the overall impression of the products is substantially different. The different color schemes are distinctive. *Combe Inc. v. Scholl, Inc.*, 453 F. Supp. 961, 964 (S.D.N.Y. 1978). The court finds that the use of banners, flags and ribbons of various designs and colors is common in the toiletries and pharmaceuticals industry. Such banners are used to highlight an ingredient or feature of the product, especially the addition of a new feature. The rule is that:

> "common basic shapes such as circles, diamonds, triangles, squares, ovals, arrows, and the like have been so commonly adopted as marks or as part of marks for a variety of products in a variety of fields that whatever rights one possesses in such a design are confined to the particular design."

Hupp Co. v. AER Corp., 157 U.S.P.Q. 537, 540 (P.O.T.M.T. & App. Bd. 1968). The court finds that the two flags are dissimilar in both shape and color. Likewise the court finds that the tradedress of Nair, taken as a whole, does not tend to confuse the average observer as to the origin of Nair. *Bose Corp. v. Linear Design Labs, Inc.*, 467 F.2d 304, 309 (2d Cir. 1972).

Plaintiff urges the court to make a finding of likelihood of confusion as to origin based upon a consumer survey which it introduced into evidence. This survey was conducted in 1979

by Elrick & Lavidge, a nationally known consumer survey company. In that survey 1,490 women eighteen years or older were interviewed during February 1979 in shopping centers located in 13 cities throughout the United States. These women were randomly divided into three groups. One group viewed the 1978 "Coney Island" television commercial for Nair, the second group saw a print advertisement for Nair featuring women in jogging suits (Appendix) and the third group were shown a 4 ounce package of Nair lotion. Plaintiff also submitted a 1978 pilot survey in which 150 women were questioned. However, the court will focus on the 1979 survey conducted by Elrick & Lavidge (Pl's Exh. 101) in which 1,490 women were interviewed nationally as being more statistically accurate. The women were asked on an unaided basis "Who do you think manufactures or puts out this product?". In response, 28% of those who had seen the TV ad, 36% of those who saw the print ad, and 14% of those who had seen the package, answered "Nair". A smaller but nonetheless significant number answered that they believed J&J was the manufacturer of Nair (20%, 15% and 22% respectively). The women were also asked this question on an aided basis, that is they were given a list of six toiletries companies. In response, 62%, 61% and 58%, respectively, chose J&J as the manufacturer of Nair. Only 1%, 1% and 4%, respectively, chose Carter-Wallace. Carter contends that these responses should be considered in light of the fact that Carter does not advertise any of its products by the Carter-Wallace name but rather advertises each product, such as Nair, only by the product name so that there would be no reason for consumers to associate Carter and Nair. The women who mentioned J&J as the manufacturer in response to the unaided question were then asked "What makes you think so?" The overwhelming response was that the women thought J&J was the manufacturer of Nair because Nair contains baby oil (76%, 80% and 57%).

Carter attacks the Elrick & Lavidge survey on the ground that J&J has long been associated with baby oil due to its dominant position in the baby oil market for the last decade, and that the consumer survey only showed that those con-

sumers who thought that Nair was manufactured by J&J thought so because they associated J&J with the term baby oil. Carter argues that J&J cannot benefit from this de facto secondary meaning attached to a generic term and prevent Carter from accurately stating that Nair contains baby oil. The court agrees that Carter's contentions cast doubt on the survey evidence introduced by plaintiff on the motion for preliminary injunction, especially in light of the court's own observation that the total impression of the Nair tradedress and advertisements does not give rise to confusion as to source.

Baby oil is mineral oil, with or without fragrance added for external use. Plaintiff and defendant are in agreement that baby oil is the generic term for mineral oil. The United States Trademark Association describes "baby oil" as a classic example of a generic term, 33 USTA Bull., No. 20, 5/11/78. The term baby oil was first popularized by Mennen. J&J began to market baby oil in 1935 after Mennen. Since that time J&J has been the major producer of baby oil, with a seventy-five percent share of the market for the last twelve years. Some twelve other companies market mineral oil under the name baby oil. J&J does not claim that it has any legally protectible right in the term baby oil alone. The court finds that baby oil is a generic name as the Second Circuit recently defined that term in *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976), in relation to the Lanham Act.

> "A generic term is one that refers, or has come to be understood as referring, to the genus of which the particular product is a species."

Due to certain market conditions, a generic term can acquire secondary meaning, that is, become associated in the minds of the public with one producer of the product. Such secondary meaning is called "de facto secondary meaning". As McCarthy states in his treatise, Trademarks and Unfair Competition, § 12.15, at 432-33 (1973),

> "De Facto secondary meaning might arise during the period when a seller is the single source for a genus of goods. That is, during a period of time when one source is

> the only seller of a product, the public might associate the generic name of the product with the single source seller merely because there is no one else in the market . . . . The single source situation might arise . . . because the seller has patent rights which foreclose others . . . ."

There is evidence that J&J was the dominant producer of baby oil for a long period of time. Such evidence suggests that baby oil may have acquired an association in the minds of the public with the manufacturer, J&J. However, "de facto secondary meaning" is not legally protectible under the Lanham Act. As the Second Circuit stated in *Abercrombie*, *supra*, at p. 10,

> "At common law neither those terms which were generic nor those which were merely descriptive could become valid trademarks . . . . While . . . the Lanham Act makes an important exception with respect to those merely descriptive terms which have acquired secondary meaning, . . . it offers no such exception for generic marks . . . no matter how much money and effort the user of a generic term has poured into promoting the sale of its merchandise and what success it has achieved in securing public identification, it cannot deprive competing manufacturers of the product of the right to call an article by its name."

The Second Circuit then went on to find the term "Safari" generic with respect to hats and shirts. *See also Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 59 S. Ct. 109, 83 L. Ed. 73 (1938) ("shredded wheat" was a generic term which had acquired secondary meaning in the minds of the public due to long period of time in which only Kellogg manufactured shredded wheat. Such an interest was not legally protectible.)

In a situation in which a generic term has acquired de facto secondary meaning, a second manufacturer can benefit from a "free ride" due to the first manufacturer's efforts at prompting public acceptance of the product known by a generic name. Thus Carter can promote Nair as containing baby oil as long as it does not palm off Nair as a J&J product. The court finds that Carter has introduced sufficient evidence that J&J has

promoted baby oil and baby lotion while in a dominant market position under the generic name baby oil to suggest that baby oil has acquired a de facto secondary meaning associated with J&J. Carter argues that this public association explains the survey evidence submitted by J&J which showed that those consumers who thought J&J manufactured Nair thought so because Nair was advertised as being "with baby oil". J&J contends that even if the court were to find de facto secondary meaning associating the term "baby oil" with J&J that the Elrick & Lavidge study shows that consumers were misled as to the source of Nair by the tradedress of Nair. The court finds that J&J has failed to prove this by a preponderance of the evidence.

In *King-Seeley Thermos Co. v. Aladdin Industries, Inc.*, 321 F.2d 577 (2d Cir. 1963), the Second Circuit found that the trademark "thermos" had become a generic term for a vacuum bottle. The court therefore allowed the defendant to use the word thermos in its advertising and tradedress as long as there was no attempt to deceive the public into thinking that its product was manufactured by plaintiff. In *Polo Fashions Inc. v. Extra Special Products, Inc.*, 451 F. Supp. 555 (S.D.N.Y. 1978), the court found "polo" had become a generic term denoting certain types of shirts and coats. However the court found that plaintiff had shown that defendant has used typestyle and label colors similar to plaintiff's distinctive material and had thus infringed plaintiff's trademark rights in the term "Polo by Ralph Lauren". The court finds that J&J has failed to show that Carter has used the words "baby oil" in such a way as to confuse consumers as to the source of origin of Nair. The court finds that the survey evidence was not sufficient, in light of the problems with the survey discussed above, to overcome the court's observation that the labelling and advertising of the two products were not confusingly similar. The addition of the words "From Carter-Wallace" to the advertisements on TV also reduces the likelihood of confusion as to origin.

False Advertising

Plaintiff contends that Carter is liable to it for false advertising in violation of § 43(a) of the Lanham Act, which prohibits a party from diverting "trade from a competitor by fraudulently representing that the goods which he markets have ingredients or qualities which in fact they do not have but which the goods of the competitor . . . do have." *Alfred Dunhill Ltd. v. Interstate Cigar Co., Inc.*, 499 F.2d 232, 246-47 (2d Cir. 1974). Plaintiff contends that Carter falsely advertises that baby oil as an ingredient in Nair has a moisturizing and softening effect on the skin of the user's legs. Plaintiff and defendant are in agreement that Nair does leave a user's legs smooth and soft and that this is due in large part to the effect of the ingredient thioglycolate which removes both leg hair and the outer layer of dead skin. Plaintiff does not contest that Nair leaves the skin soft, only whether baby oil as an ingredient contributes in any way to this effect.

From a reading of the Nair advertisements and a viewing of the television commercials, the court finds that Carter makes no explicit claim that baby oil is an effective moisturizing ingredient in Nair. Plaintiff rests its argument on a contention that the advertisements convey an implicit claim for such benefits. Carter denies that it makes any such claims. In the alternative, Carter argues that plaintiff has failed to show that such a claim is false.

Section 43(a) encompasses more than literal falsehood. *American Home Products Corp. v. Johnson & Johnson*, 577 F.2d 160, 165 (2d Cir. 1978). The Second Circuit stated in that case, "It is equally well established that the truth or falsity of the advertisement usually should be tested by the reactions of the public." *Id.* The court went on to quote with approval Judge Lasker's statement in *American Brands, Inc. v. R.J. Reynolds Co.*, 413 F. Supp. 1352, 1356-57 (S.D.N.Y. 1976), ". . . the court's reaction [to the advertisement] is at best not determinative and at worst irrelevant. The question in such cases is—what does the person to whom the advertisement is addressed find to be the message?" Carter contends that it is

exempt from any liability for the Nair advertisement on the theory that "a truthful and unambiguous product claim cannot be barred under Section 43(a) even though consumers mistakenly perceive a different and incorrect message". *Id.* However, the Second Circuit expressly refused to reach the issue of the validity of that theory in *American Home Products, supra*, on the ground that the advertisements in issue were not totally unambiguous. Similarly, in the instant case, the court finds that the Nair advertisements are somewhat ambiguous.

Therefore the court is compelled to consider whether consumers take away any implied messages from the advertisements. The burden is on the plaintiff to show that an implicit message is conveyed.

Both parties have submitted surveys of consumer reaction to the Nair advertisements. The Second Circuit upheld the lower court's use of such data as the most reliable evidence of consumer's perception of advertising messages in *American Home Products, supra*, 166-67, even though such data have some inherent weaknesses. As discussed above with reference to plaintiff's claim of false designation of origin, plaintiff submitted a consumer survey taken by Elrick & Lavidge in 1979. The form of that survey was set out above. The women respondents who were shown either the Nair Coney Island television commercial, a Nair print advertisement or the Nair package, were asked this question: "What ingredients do you think are contained in the product?" In response, 72% of those who saw the television ad, 64% of those who saw the print ad, and 51% of those who saw the package answered "Baby oil". These women who named baby oil as an ingredient in Nair were asked, "What, if anything, is good about having baby oil in the product?". Benefits relating to soft skin or legs were mentioned by 46% of those who were exposed to the TV ad, 37% of those who saw the print advertisement and 44% of those who saw the Nair package. The other benefits of having baby oil in the product which were most often cited related to moisturizing the skin or not causing it to dry out (31%, 28%, 30% respectively) and smoothing the skin or legs (24%, 27%, and 16% respectively). [Table 6, Pl's Exh. 101]. The number

who mentioned pleasant fragrance was much smaller (6%, 4% and 5% respectively). Plaintiff contends that this survey demonstrates that consumers perceive an implicit claim that the baby oil ingredient moisturizes the skin in the Nair advertisements or on the Nair package. Defendant attacks this survey on the ground that it was not conducted in the homes of the consumers and did not simulate the normal viewing situation in which an advertisement is seen in the context of other advertisements. However, the court finds most compelling Carter's objection to the wording of the question, "What, if anything, is good about having baby oil in the product?". This question does not ask the consumer what claims were made for the baby oil ingredient in the advertisement but rather asks the consumer to speculate as to what benefits, not limited to those claimed in the advertisement, could be attributed to baby oil. It is not disputed that baby oil does indeed soften, moisturize and smooth the skin when used directly on the skin. These benefits have long been promoted by J&J in its advertising. Thus to ask consumers what benefits they might attribute to the baby oil ingredient does not properly focus on the claims made in the Nair commercial. The probative value of the survey on the issue of what implicit claims are perceived by consumers in the advertisements is therefore reduced.

Carter submitted consumer recall tests conducted by Burke Marketing Research, Inc., a nationally known consumer survey company used by both Carter and J&J to test the effectiveness of their advertisements. Carter commissioned studies on the Nair television commercials in the regular course of business before the inception of this litigation. The first study, conducted in 1976, surveyed response to the Nair "Short shorts" commercial. This commercial made no reference to baby oil. The second study, conducted in 1977, concered the Nair "Fire Escape" commercial. The third study, conducted in 1978, tested the effectiveness of the Nair "Coney Island" commercial. The latter commercial is being shown this summer, 1979, by Carter with the addition of a phrase indicating that Nair is a Carter-Wallace product superimposed on the picture at the end of the commercial in small letters.

The Burke studies were conducted by telephoning television viewers the day after the broadcast of a Nair advertisement. If the viewer is a woman between the ages of 12 and 35 who states that she saw the television program during which the Nair commercial was shown, she is then asked on an unaided basis to recall what the commercial stated. The consumer's reaction is thus tested under normal viewing conditions. Burke separates the consumers' answers into categories of proven, possible and unrelated recall. Defendant also introduced the verbatim answers by the consumers in the Burke tests which the court has read. These two features of the Burke tests were specifically praised by Judge Stewart in *American Home Products, supra*, 436 F. Supp. 785, 794 n.4 (S.D.N.Y. 1977), *aff'd*, 577 F.2d 160 (2d Cir. 1978). Plaintiff concedes that the Burke studies are widely recognized as highly effective means of identifying the message which consumers take away from television commercials.

The "Coney Island" commercial was broadcast during the television program "Rockford Files" on May 5, 1978. One hundred and three women were interviewed the next day in Boston, Kansas City and Saint Louis. The viewers were asked the following series of questions: "Now, please tell me anything at all you remember about the Nair commercial you saw last night. What did the commercial look like; what did you see in the commercial for Nair last night? What did the commercial say about Nair last night? What ideas about Nair were brought out in the commercial last night?". The Burke study did not show any significant consumer response attributing softening or moisturizing benefits to the baby oil in Nair. Twenty-one percent of the commercial audience recalled the message that Nair contains baby oil. Fifteen percent recalled the message that Nair leaves the legs smooth, soft or beautiful. However, only one percent stated that the message they perceived was "Nair leaves legs smooth because of baby oil/oil added for smoothness". Zero percent recalled these two messages: "Has baby oil to keep skin soft/puts baby oil into legs, makes them soft" and "Improved with baby oil to prevent dryness". Rather the messages which the consumers recalled

were "Easy to use" (17%), "Removed Hair" (16%) and its scent (5%). In an earlier Burke survey of a commercial not at issue here, the 1977 "Fire Escape" commercial, an equally insignificant number of consumers, 8%, recalled a message attributing moisturizing benefits to the baby oil in Nair. In that survey 1% stated that the claim was "leaves legs smooth because of baby oil"; 5% recalled the claim "Has baby oil to keep skin soft" and 1% recalled "improved with baby oil to prevent dryness". The court finds that the number of consumers who perceived an implicit claim for baby oil, as reflected in the Burke survey, is too small to be statistically relevant. *American Home Products, supra*, at 172 (survey evidence that only three of 43 women polled perceived implicit claim in cigarette advertisement insufficient to support a finding that such an implicit claim was made). The court further finds that the Burke studies are more relevant and probative on this issue than the Elrick & Lavidge study. The questions asked in the Burke study are more closely tailored to the issue at hand here, that is, what claims are made by the advertisements. The questions asked in the Elrick & Lavidge study did not focus on this question.

Plaintiff has submitted various internal memoranda of Carter-Wallace concerning the advertising campaign for Nair with Baby Oil. Plaintiff urges that this evidence establishes that Carter intended to convey the claim that baby oil was a moisturizing agent in Nair. While the intention of defendant is a relevant consideration, the evidence submitted by plaintiff must be weighed in light of the evidence submitted by defendant that it had changed the Nair advertising copy when its counsel suggested that the copy might be misunderstood to imply a specific claim for the baby oil ingredient. Therefore the court finds that, in light of the Burke studies, at this time plaintiff has failed to prove by a preponderance of the evidence that the Nair advertisements convey to the consumer a claim that the baby oil in Nair has a moisturizing effect. *American Home Products, supra*, at 172; *American Brands, Inc. v. R.J. Reynolds Tobacco Co.*, 413 F. Supp. 1352, 1357 (S.D.N.Y. 1976). Since plaintiff has failed to show that it is likely to

succeed on the merits of the contention that Carter makes such claims for the baby oil in Nair, the court need not reach the issues of whether plaintiff has shown that such claims are false, or of plaintiff's alleged laches in bringing suit.

Conclusion

In summary, the court finds that plaintiff has failed to prove by a preponderance of the evidence that it is likely to succeed on the merits of its two claims under the Lanham Act. The court finds that plaintiff has raised "serious questions going to the merits to make them a fair ground for litigation", *Sonesta International Hotels Corp. v. Wellington Associates*, 483 F.2d 247, 250 (2d Cir. 1973). However the court finds that plaintiff is not entitled to injunctive relief since it has failed to demonstrate that the balance of hardships tips in its favor. Nair is a seasonal product sold mainly during the summer months. To require Carter to refilm its television commercials and repackage its product would cause Carter considerable expense and cause it to be out of the market during its peak sales period. The injury to J&J during this period is more speculative. J&J contends that its baby oil is advertised as a shaving aid and as a moisturizer for the legs after shaving. J&J claims that sales by Nair will cut into the sales of Johnson's baby oil. However, depilatories account for only twelve percent of the hair removal market. Carter has been advertising Nair with baby oil as an ingredient for two years. As the court noted in *American Brands, Inc. v. R.J. Reynolds Tobacco, Inc.*, 413 F. Supp. 1352, 1360, ". . . we believe it to be of some significance that neither [party] has proffered any evidence that it has been damaged by loss of sales as a result of the advertising of its competitor-opponent. If the dire analysis which each of the parties predicates (sic) as to the advertising of the other were true, it seems reasonable to believe that evidence of such damage would exist." Robert Stites, president of Johnson & Johnson Baby Products Company, a division of J&J, testified at the hearing on the motion for a preliminary injunction that he did not attribute a loss in J&J baby lotion or baby oil sales to competition from Nair (Tr. 69), but rather attributed such

loss to competition from lower priced brands of baby oil. J&J contends that it will suffer injury because of harm to the "baby oil concept". The possibility of such a "dilution" injury is "fanciful and uncertain" both factually and as a legal theory. *Combe Inc. v. Scholl, Inc.*, 453 F. Supp. 961, 967 (S.D.N.Y. 1978). The court finds that the balance of hardships does not tip in J&J's favor. Therefore plaintiff's prayer for a preliminary injunction is denied. *Sonesta International Hotels, supra.*

Appendix to follow.

Findings of Fact and Conclusions of Law of Motley, *D.J.* of the United States District Court, Southern District of New York

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Civil No. 78-3986
April 10, 1980

JOHNSON & JOHNSON, a corporation,

Plaintiff,

—v.—

CARTER-WALLACE, INC., a corporation,

Defendant.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Motley, District Judge.

Plaintiff Johnson & Johnson ("J&J") has brought this suit against Carter-Wallace, Inc. ("Carter") under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) and New York's law of unfair competition. J&J is the manufacturer of Johnson's Baby Oil and Johnson's Baby Lotion, among other products. Carter is the manufacturer of Nair, a depilatory. The controversy centers around the fact that Nair contains baby oil. Carter's advertising campaign for Nair has emphasized this ingredient. J&J alleges that Carter has packaged and marketed Nair in such a manner as to give consumers the false impres-

sion that Nair is a J&J product. J&J also alleges that Carter has made false claims for Nair.

J&J's application for a temporary restraining order was denied. In a memorandum opinion dated August 15, 1979, the court denied plaintiff's motion for a preliminary injunction. A trial of this action was conducted from March 31, 1980, to April 7, 1980. Pursuant to Rule 65(a)(2) of the Federal Rules of Civil Procedure, both parties relied on testimony and other evidence presented on plaintiff's motion for a preliminary injunction, heard on April 16-18, 1979. In addition, plaintiff supplemented that evidence with additional testimony and evidence. At the close of plaintiff's case, defendant moved to dismiss this action. For the reasons set forth in this memorandum opinion, the court granted defendant's motion to dismiss.

False Designation of Origin Claim

With respect to J&J's false designation of origin claim, the court granted Carter's motion to dismiss for the reasons set forth in the court's memorandum opinion of August 15, 1979. J&J presented no additional testimony or evidence which would alter the court's reasoning in any significant manner.

Briefly stated, the court concluded in its memorandum opinion of August 15, 1979, that a visual comparison of the J&J bottles and the Nair bottle demonstrates that the overall impression of the products is substantially different. The different color schemes are distinctive. The two flags on the products are dissimilar in shape and color. The tradedress of Nair, taken as a whole, does not tend to confuse the average observer as to the origin or Nair.

J&J urges the court to make a finding of likelihood of confusion as to origin based upon a consumer survey which it introduced into evidence at the preliminary injunction hearing. This survey was conducted in 1979 by Elrick & Lavidge, a nationally known consumer survey company. Carter attacks the Elrick & Lavidge survey on the ground that J&J has long been associated with baby oil due to its dominant position in the baby oil market for the last decade and that the consumer

survey only showed that those consumers who thought that Nair was manufactured by J&J thought so because they associated J&J with the term baby oil. Carter argues that J&J cannot benefit from this de facto secondary meaning attached to a generic term and prevent Carter from accurately stating that Nair contains baby oil. The court agrees that Carter's contentions cast doubt on the survey evidence introduced by J&J on the motion for preliminary injunction, especially in light of the court's own observation that the total impression of the Nair tradedress and advertisements does not give rise to confusion as to source.

In a situation in which a generic term, such as "baby oil," has acquired de facto secondary meaning, a second manufacturer can benefit from a "free ride" due to the first manufacturer's efforts at prompting public acceptance of the product by a generic name. Thus Carter can promote Nair as containing baby oil as long as it does not palm off Nair as a J&J product. The court finds that Carter has introduced sufficient evidence that J&J has promoted baby oil and baby lotion while in a dominant market position under the generic name baby oil to suggest that baby oil has acquired a de facto secondary meaning associated with J&J. Carter argues that this public association explains the survey evidence submitted by J&J which showed that those consumers who thought J&J manufactured Nair thought because Nair was advertised as being "with baby oil." J&J contends that even if the court were to find de facto secondary meaning associating the term "baby oil" with J&J that the Elrick & Lavidge study shows that consumers were misled as to the source of Nair by the tradedress of Nair. The court finds that J&J has failed to prove this by a preponderance of the evidence, even after the additional testimony and evidence introduced at trial.

In short, the court finds that J&J has failed to show that Carter has used the words "baby oil" in such a way as to confuse consumers as to the source of origin of Nair. The court finds that the survey evidence was not sufficient, in light of the problems with the survey discussed above and in the August 15, 1979, memorandum opinion, to overcome the court's

observation that the labelling and advertising of the two products were not confusingly similar. Perhaps most importantly, the addition of the words "From Carter-Wallace" to the advertisements on television also reduces any likelihood of confusion as to origin.

False Advertising Claim

Initially, it is important to emphasize that "baby oil" is a generic term, that is a term that refers, or has come to be understood as referring, to the genus of which the particular product is a species. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9, 189 USPQ 769 (2d Cir. 1976). Even proof of secondary meaning, by virtue of which some "merely descriptive" marks may be registered, cannot transform a generic term into a subject for trademark. *Id.* No matter how much money and effort the user of a generic term has poured into promoting the sale of its merchandise and what success it has achieved in securing public identification, it cannot deprive competing manufacturers of the product of the right to call an article by its name. *Id.* To allow trademark protection for generic terms, even when these goods have become identified with a first user, would grant the owner of the mark a monopoly, since a competitor could not describe his goods as what they are. *CES Publishing Corp. v. St. Regis Publications, Inc.*, 531 F.2d 11, 13, 188 USPQ 612, 614-615 (2d Cir. 1975). Thus, the original maker of a product known by a generic name acquires no exclusive right to use the term; others have the right to make the article and to use the term by which the public knows it. *Kellogg v. National Biscuit Co.*, 305 U.S. 111, 116-17, 39 USPQ 296, 298-299 (1938).

Thus, J&J may not prevent Carter from using the term "baby oil." Instead, J&J contends that Carter is liable to it for false advertising in violation of Section 43(a) of the Lanham Act, which prohibits a party from diverting "trade from a competitor by fraudulently representing that the goods which he markets have ingredients or qualities which in fact they do not have but which the goods of the competitor . . . do have." *Alfred Dunhill Ltd. v. Interstate Cigar Co.*, 499 F.2d 232, 236

n.5, 183 USPQ 193, 195-196 (2d Cir. 1974). J&J contends that Carter falsely advertises that baby oil as an ingredient in Nair has a moisturizing and softening efect on the skin of the user's legs. J&J and Carter are in agreement that Nair does leave a user's legs smooth and soft and that this is due in large part to the effect of the ingredient thioglycolate which removes both leg hair and the outer layer of dead skin. J&J does not contest that Nair leaves the skin soft, only whether baby oil as an ingredient contributes in any way to this effect.

It should be noted that Section 43(a) of the Lanham Act does not have boundless application as a remedy for unfair trade practices but is limited to false advertising as that term is generally understood. *Alfred Dunhill Ltd. v. Interstate Cigar Co.*, 499 F.2d 232, 237, 183 USPQ 193, 196 (2d Cir. 1974). Thus, the Lanham Act does not give anyone the right to sue for acts which constitute deceptive trade practices but which do not constitute unfair advertising. *Id.*

In the case at hand, the court need not decide whether Carter advertises or implies in its advertising that baby oil as an ingredient in Nair has a moisturizing and softening effect on the skin of the user's legs or whether this alleged claim is false. Defendant's motion to dismiss was granted on the ground that J&J failed to carry its burden of proving damage or the likelihood of damage by Carter's alleged false advertising.

Section 43(a) of the Lanham Act provides that a suit may be brought "by any person who believes that he is or is likely to be damaged by the use of any false description or representation." In the case at hand, it is of some significance that J&J has proferred little, if any, evidence that it has been damaged by loss of sales as *a result of* the advertising of Carter. If the dire analysis of J&J were true, it seems reasonable to believe the evidence of damage would exist. *See American Brands, Inc. v. R.J. Reynolds Tobacco Co.*, 413 F. Supp. 1352, 1360 (S.D.N.Y. 1976).

In particular, J&J argues that it faces a competitive injury—loss of sales of its baby oil products which are promoted and purchased for use in connection with the removal of hair. As Carter-Wallace notes, this theory that Nair has somehow dilu-

ted or otherwise decreased J&J's sales is too fanciful and uncertain a risk to J&J to warrant relief. *See Combe Inc. v. Scholl, Inc.*, 453 F. Supp. 961, 967, 201 USPQ 760, 764-765 (S.D.N.Y. 1978). J&J has failed to prove that its loss of sales was in any way *caused* by Nair's allegedly false advertising. Of course, J&J need not quantify its injury in order to obtain injunction relief. But J&J must at least prove the existence of some injury caused by Carter.

As the court noted in its memorandum opinion of August 15, 1979, J&J's theory is highly speculative considering the fact that depilatories account for only twelve percent of the hair removal market. J&J failed to demonstrate the existence of any damages, despite the fact that Carter has been advertising Nair with baby oil as an ingredient for three years. In fact, Robert Stities, president of Johnson & Johnson Baby Products Co., testified at the preliminary injunction hearing that he did not attribute a loss in J&J baby lotion or baby oil sales to competition from Nair. Instead, he attributed such loss to competition from lower priced brands of baby oil.

J&J is correct in its assertion that damages are not remote and speculative merely because they are not susceptible to ready ascertainment. In the case at hand, however, J&J has failed to carry its burden of proving the existence of any damages or the likelihood of damages—apart from the problem of quantifying the alleged damages. J&J's citation of *American Home Products Corp. v. Johnson & Johnson*, 436 F. Supp. 785, 803, 196 USPQ 484, 498-499 (S.D.N.Y. 1977), *aff'd*, 577 F.2d 160, 198 USPQ 132 (2d Cir. 1978), is not contrary to the court's decision. In *American Home Products*, the court found that there was "substantial evidence that consumers have been and will continue to be deceived as to the relative efficacy of the two products and that this deception is injuring, and will continue to injure, Tylenol's [plaintiff's product] reputation among consumers." In contrast, in the case at hand, there is no evidence that Carter's alleged false advertisement is injuring the reputation of J&J or Johnson's Baby Oil, or that Carter's advertising has resulted in any way to a loss of J&J baby oil or baby lotion sales.

J&J also raises a tarnishment theory of injury—a theory that Carter has tarnished the good will and reputation of Johnson's Baby Oil or J&J itself. In particular, J&J notes that Carter receives a significant number of complaints from consumers regarding Nair. J&J argues that association with Carter's Nair is harmful to the reputation and good will surrounding J&J's baby products franchise—that is, a harm results from the association of Carter's inferior or low quality product with J&J's well-known, high-quality product. In effect, J&J claims that it has been damaged by being associated with a harsh and irritating product such as Nair.

J&J's theory of tarnishment must fail on several grounds. First, J&J has failed to prove that Carter's advertising associates Nair with Johnson's Baby Oil or J&J itself. As discussed above, the tradedress of Nair does not tend to confuse the average observer as to the origin of Nair; nowhere does Carter indicate or even remotely suggest that Nair is a J&J product or contains Johnson's Baby Oil. To the extent the Elrick & Lavidge survey may indicate that consumers associate Nair with J&J or Johnson's Baby Oil, the survey only shows that consumers who thought that Nair was manufactured by J&J thought so because they associated J&J with the term baby oil. Again, J&J cannot benefit from the de facto secondary meaning attached to the generic term "baby oil" and prevent Carter from accurately stating that Nair contains baby oil. Carter can promote Nair as containing baby oil as long as it does not palm off Nair as a J&J product or falsely advertise in a manner which would tarnish J&J or Johnson's Baby Oil. No matter how much money and effort J&J has poured into promoting the sale of J&J Baby Oil and what success J&J has achieved in securing public identification, J&J cannot deprive Carter of the right to include baby oil in its product and to use the term baby oil in its advertising. J&J has acquired no exclusive right to use the term "baby oil," J&J cannot control the use of the term "baby oil" by others, even where others associate the term "baby oil" with products disapproved by J&J.

Second, assuming arguendo that Carter's advertising associates Nair with Johnson's Baby Oil or J&J, J&J has failed to

prove that such association has tarnished the reputation of J&J or Johnson's Baby Oil. In fact, J&J's witnesses testified that the reputation of J&J and its products continues to be excellent. Despite the fact that Carter has been advertising Nair for three years, J&J could point to no tarnishment to J&J's reputation. Moreover, J&J has never received a single letter of complaint regarding Nair. If, as J&J so strenuously argues, consumers associate Nair and its harshness with J&J, then one would expect at least a few consumers dissatisifed with Nair to bring their dissatisfaction to the attention of J&J. To the contrary, all the letters of complaint from consumers dissatisfied with Nair were sent to Carter. To the extent consumers may have found Nair to be a harsh and irritating product, consumers have correctly perceived that Carter, not J&J, is the manufacturer of Nair and the appropriate recipient of any complaints or negative feelings. All packages of Nair clearly indicate that Carter is the manufacturer; thus, even if some consumers associate Nair with Johnson's Baby Oil or J&J, those consumers dissatisfied with Nair will have a lower opinion of Carter, not J&J.

Acknowledging the force of the above analysis, J&J further speculates that some consumers dissatisfied with Nair may fail to check the information on the package to ascertain the identity of Nair's manufacturer. These consumers, it is argued, will continue to hold a silent grudge against Johnson's Baby Oil for the rest of their lives. J&J's speculation is subject to numerous flaws. First, as discussed above, Carter simply does not indicate or suggest in its advertising or packaging that Nair is a J&J product or contains Johnson's Baby Oil. Second, and perhaps more importantly, it is highly improbable, to say the least, that any reasonable consumer would attribute the harshness of Nair to any baby oil in Nair, either Johnson's or anyone else's baby oil. As J&J itself repeatedly noted, "everyone" knows that baby oil is a smooth and gentle product and that depilatories such as Nair are harsh and irritable products. To suggest that consumers who have bad experiences with Nair will be disillusioned with Johnson's Baby Oil, or even baby oil in general, simply defies both common sense and the evidence in this case.

The cases cited by J&J in support of its tarnishment theory are inapplicable. These cases, unlike the case at hand, involved situations where the association between the two products was clear, as was the negative, tarnishing effect of the association. Interestingly, in most of these cases the plaintiff complained of tarnishment of the reputation of a valid trademark, not a generic name.

Thus, in *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 201 USPQ 740 (2d Cir. 1979), the Second Circuit initially found that plaintiff had a valid trademark in its uniform. The Second Circuit then held that the public's belief that the trademark's owner had sponsored or otherwise approved the use of the trademark satisfied the confusion requirement of the Lanham Act. *Id.* at 204-05, 201 USPQ at 746747. The court based its holding on the finding that the uniform depicted in the pornographic movie "Debbie Does Dallas" unquestionably brought to mind the Dallas Cowboys Cheerleaders. This clear association resulted in confusion which had a tendency to impugn plaintiff's services and injure plaintiff's business reputation. *Id.* at 205, 201 USPQ at 749.

The other cases cited by J&J are similar to *Dallas* in their clear findings of association and resulting tarnishment. In *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 175 USPQ 56 (E.D.N.Y. 1972), the defendant had manufactured a poster showing the familiar red and white Coca-Cola design with the word "Cocaine" substituted for "Coca-Cola." The court noted that the design associated an obviously noxious substance, cocaine, with plaintiff's wholesome beverage as symbolized by its Coca-Cola trademark. *Id.* at 1189, 175 USPQ at 59-60. The court held that a person of average intelligence could believe that the poster was just another effort by Coca-Cola to publicize its product. *Id.* at 1190, 175 USPQ at 60. In *Chemical Corp. of America v. Anheuser-Busch, Inc.*, 306 F.2d 433, 134 USPQ 524 (5th Cir. 1962), *cert. denied*, 372 U.S. 965, 137 USPQ 913 (1963), a similarity between the plaintiff's and defendant's trade slogans was held to confuse the public and threaten injury to the good name of

the first user. The defendant had advertised its insecticide by changing plaintiff's slogan "Where there's life, there's Bud" to the slogan "Where there's life, there's bugs." The court noted that plaintiff had a property interest in the slogan, which had been built up at great expense. *Id.* at 437, 134 USPQ at 527-528. Finally, in *Tiffany & Co. v. Boston Club, Inc.*, 231 F. Supp. 836, 143 USPQ 2 (D. Mass. 1964), Tiffany & Co., the New York retail store, brought an action against Boston corporations using the word "Tiffany's"—the action being for infringement of the trademarks and tradenames "Tiffany" and "Tiffany & Co." The court noted the danger of public identification of plaintiff's trademark or name with a product or service of a type incompatible with the quality and prestige previously attached by the public to plaintiff's product.

In the case at hand, Carter has merely included baby oil in its product and included the generic term "baby oil" in its advertising. Assuming, arguendo, that Carter has engaged in false advertising as alleged by J&J, J&J has nonetheless failed to prove that Carter has tarnished the reputation of J&J or Johnson's Baby Oil—in contrast to the clearly tarnishing associations in the cases cited by J&J.

In addition, J&J cites several cases which involve generic products. In *Mutation Mink Breeders Assoc. v. Lou Nierenberg Corp.*, 23 F.R.D. 155, 120 USPQ 270 (S.D.N.Y. 1959), defendants were charged with using the word "mink" or words tending to create the impression that their product is made of mink where, in fact, such was not the case. The plaintiffs did not monopolize the industry and proof of actual diversion of trade was, therefore, in all practical respects, impossible. *Id.* at 161, 120 USPQ 270. Nevertheless, the court allowed plaintiffs to maintain a Lanham Act claim, noting that there was no necessity of proving actual diversion of trade. The *Mutation Mink* case, however, is inapplicable to the case at hand. In *Mutation Mink*, defendants were accused of "palming off"—that is, using words tending to create the impression that their product was made of mink. In contrast, in the case at hand J&J does not allege in its false advertising claim that Carter is attempting to "palm off" Nair as a baby oil product; instead,

the claim is that Carter's inclusion of baby oil in Nair and the accompanying advertising is tarnishing the reputation of J&J or Johnson's Baby Oil. While *Mutation Mink* obviates the necessity of proof of actual diversion of trade in a "palming off" case, it surely does not obviate the necessity of showing a tarnishing association with plaintiff or its products in a case involving a tarnishing theory of damages.

A similar analysis distinguishes the case at hand from *Potato Chip Institute v. General Mills, Inc.*, 333 F. Supp. 173, 171 USPQ 539 (D. Neb. 1971), *aff'd*, 461 F.2d 1088, 174 USPQ 193 (8th Cir. 1972). In *Potato Chip Institute*, a nonprofit corporation representing various potato chip manufacturers sought to enjoin the advertising of a product made of dehydrated potatoes by use of the words "potato chips" in its advertising. The court ruled that a Section 43(a) action under the Lanham Act is not dependent upon an allegation that plaintiffs own a federally registered trademark nor does it require that a case arising under this section be substantially related to a claim regarding any federally registered trademark. As in *Mutation Mink*, the case was essentially a "palming off" case, rather than a case in which a product's reputation is tarnished by association with an unrelated low-quality or negative product. In neither *Mutation Mink* nor *Potato Chip Institute* did the plaintiffs attempt to control or limit the use or advertising of bona fide mink or potato chips. In contrast, in the case at hand J&J is claiming that the reputation of J&J or Johnson's Baby Oil has been tarnished by Carter's legitimate inclusion of baby oil in Nair and the advertising of Nair with baby oil. Such a claim cannot be sustained on the record before this court.

Conclusion

For the reasons stated above, the court granted Carter's motion to dismiss this action.

Judgment Dismissing Complaint

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Civil No. 78-3986
April 18, 1980

JOHNSON & JOHNSON, a corporation,

Plaintiff,

—v.—

CARTER-WALLACE, INC., a corporation,

Defendant.

JUDGMENT

The issues in the above entitled action have been brought on regularly for trial before the Honorable Constance Baker Motley, United States District Judge on March 31, April 1, 2, 3 and 7, 1980, and at the conclusion of the plaintiff's case defendant moved to dismiss this action, and the Court having granted said motion, and the Court thereafter on April 11, 1980, having handed down its memorandum opinion setting forth its reasons for granting defendant's motion to dismiss, it is,

ORDERED, ADJUDGED AND DECREED: That the complaint be and it is hereby dismissed.

Dated: New York, New York
April 18, 1980

/s/ Raymond F. Burghardt

Injunctive Order of Motley, *D.J.* of the United States District Court, S.D. New York

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Civil No. 78-3986
December 22, 1981

JOHNSON & JOHNSON, a corporation,

Plaintiff,

—v.—

CARTER-WALLACE, INC., a corporation,

Defendant.

INJUNCTIVE ORDER

In accordance with this court's opinion, findings of fact and conclusions of law filed simultaneously herewith, it is hereby ordered, adjudged and decreed:

1. Defendant Carter-Wallace, Inc. and its officers, agents, and all other persons and/or entities acting on its behalf are hereby enjoined and restrained from broadcasting, publishing or causing any television network or local television station, or any magazine or any other print medium, to broadcast or publish any commercial advertisement which conveys to the consumer, either explicitly or implicitly, the message that use of Nair with baby oil will bestow a "twin benefit" of hair removal and moisturization, and thus obviate the need to use any other moisturizing product;

2. Carter-Wallace and its agents, as described above, are further enjoined from emphasizing Nair's baby oil ingredient in any advertising medium or packaging in such a fashion that the consumer would perceive that the baby oil ingredient alone was the cause of Nair with baby oil's softer and smoother effect, rather than the fact that the effect being achieved is via improved consistency, resulting in better adherence to the skin and hair shaft, and more effective depilation due to those factors and to the chemical degradation of the outer skin cells;

3. Carter-Wallace and its agents, as described above, are further enjoined from highlighting the baby oil ingredient on the Nair label, packaging and print advertising;

4. Plaintiff is entitled to costs.

Dated: New York, New York
December 22, 1981

SO ORDERED

/s/ Constance Baker Motley

CONSTANCE BAKER MOTLEY

U.S.D.J.

Findings of Fact and Conclusions of Law of Motley, *D.J.* of the United States District Court, Southern District of New York

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Civil No. 78-3986
December 31, 1981

JOHNSON & JOHNSON, a corporation,

Plaintiff,

—v.—

CARTER-WALLACE, INC., a corporation,

Defendant.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

MOTLEY, District Judge.

Opinion

Plaintiff Johnson & Johnson (hereinafter "Johnson") is a manufacturer of a wide range of personal care products, including "Johnson's Baby Lotion" and "Johnson's Baby Oil". Defendant Carter-Wallace, Inc. (hereinafter "Carter") is a diversified corporation which also engages in the manufacture of toiletry and pharmaceutical products, among them a depilatory called "Nair."

In April, 1979, Johnson sought injunctive relief against Carter, alleging violations of Section 43(a) of the Lanham Act,

15 U.S.C. Sec. 1125(a) and of New York's common law of unfair competition. Specifically, Johnson alleged that Carter was packaging and advertising Nair in a manner that gave consumers the false impression that Nair was a Johnson & Johnson product, and that Carter made implicit false claims in its advertising campaign for Nair. A hearing on the application for a temporary restraining order and motion for a preliminary injunction was held on April 16-18, 1979.

This court denied Johnson's application for a temporary restraining order, and in an unreported memorandum opinion, dated August 15, 1979, denied Johnson's application for a preliminary injunction. The court held that Johnson had failed to prove by a preponderance of the evidence that it was likely to prevail on the merits of its Lanham Act and unfair competition claims, and that it had failed to prove that the balance of hardships tipped sufficiently in its favor to warrant injunctive relief, although finding that plaintiff had raised sufficiently serious questions going to the merits to warrant a trial.

A bench trial was held from March 31, 1980 through April 7, 1980. The parties relied on testimony and evidence presented during the hearing on plaintiff's motion for a preliminary injunction, pursuant to Rule 65(a) of the Fed. R. Civ. P. At the 1980 bench trial, plaintiff introduced no further evidence on the issue of false designation of origin but did present additional testimony and evidence on the false advertising claim. At the close of plaintiff's case, defendant moved to dismiss the action. This court granted defendant's motion in an opinion dated April 10, 1980.

With regard to the false designation of origin issue, this court found that Johnson had failed to prove by a preponderance of the evidence that consumers were misled as to the source of origin of Nair by the tradedress of Nair, or by the use in Carter's advertising campaign of the generic term "baby oil". As to the false advertising claim, the court held that although plaintiff was not required to quantify its injury to obtain injunctive relief, Johnson had not proven the existence or the likelihood of any injury or damages caused by Carter's allegedly false advertising. In arriving at this finding, the court

relied in part on the 1979 testimony of Robert Stites, president of Johnson & Johnson Baby Products Company, to the effect that he attributed a loss of Johnson Baby Lotion or Baby Oil sales not to competition from Nair but to competition from lower-priced brands of baby oil. The court thus did not reach the question of whether the advertising was in fact false.

Johnson appealed from the dismissal of its false advertising claim. As a result, the action is again before this court on remand from the Court of Appeals for the Second Circuit (631 F.2d 186, 2d Cir. 1980) with respect to the false advertising issue. (The propriety of this court's dismissal of plaintiff's false designation of origin claim was not raised on appeal, and this court's rejection of a "tarnishment" theory of damages was held not to have been clearly erroneous.)

The trial on the issue of false advertising was held on April 13 and 14, 1981. Both parties presented additional testimony and evidence, while continuing to rely on certain of the testimony and evidence introduced at the 1979 preliminary injunction hearing and the 1980 bench trial.

A brief review of certain facts adduced at the proceedings prior to the 1981 trial might be appropriate here.

It is not seriously disputed that Johnson's baby oil, while its principal use is for cleansing babies, is widely used by adult women for a variety of purposes, one of which is an after-shave moisturizer for the legs. The use of Johnson's baby oil in this connection is promoted by Johnson in many of its advertisements. It is also featured on the product label which recommends that users "smooth [the oil] on legs after shaving to moisturize skin."

Nair is a depilatory to be used in lieu of shaving for hair removal. Its active hair removal ingredient is a chemical called thioglycolate which removes both surface hair and the outer layer of skin cells through chemical degradation.

There are four Nair formulations: cream, lotion, foam and spray. Prior to 1977, all formulations except the lotion contained mineral oil. (The parties agree that baby oil consist of mineral oil with fragrance added.) The idea of adding mineral oil to the lotion formulation in 1977 originated with Carter's

marketing division which decided to promote the entire line of Nair products as containing baby oil. In the same year, Carter added a new fragrance, "Noville", to the Nair products. The advertising campaign which is the basis of Johnson's complaint began after these changes had been made.

From exhibits and testimony offered at the preliminary injunction hearing and the 1980 trial, it is clear that Carter's scientists had advised the Carter marketing team that no explicit skin benefit claims for the baby oil in Nair could be factually substantiated. As a result of this caveat, no direct link was made in the advertisements, although the existence of baby oil in Nair continued to be prominently featured in the packaging, print ads and television commercials for Nair from 1977 through 1980. Carter's legal department, upon reviewing the copy for a proposed commercial called "Fire Escape", the concluding line of which read, "Nair with baby oil for baby smooth legs", suggested that the line be changed to read, "Nair with baby oil. Nair for baby smooth legs." Carter's in-house memo stated, "This change has been made for legal reasons so as not to connect Baby Oil directly with baby smooth legs." Carter's executives have repeatedly testified that the commercials are making no skin benefit claim for the baby oil ingredient in Nair.

At the 1981 trial, it was revealed that in 1980 Carter reformulated each of the four Nair formulations to include 25% more baby oil than the product had previously contained. It highlighted this fact on its packaging with the words, "New—25% More Baby Oil." However, as Dr. Karl Laden (Carter's Vice-President of Research and Development) testified, very little baby oil was contained in the 1977 Nair with baby oil formulations, so that a 25% increase over the original amount was not a significantly higher proportion in terms of the total product. (For example, in the lotion formulation, second-highest of the four with regard to the amount of baby oil contained in the product, the percentage of mineral oil was increased from 8% to 10%.)

The 25% change was made, according to Dr. Laden's testimony, because the Marketing group had approached the Re-

search and Development group with regard to the further improvement of Nair. In the absence of a better suggestion (1981 Tr. p. 127) it was decided that since the lotion consistency had been vastly improved by adding baby oil, an across-the-board increase in all four formulations might improve the product further. According to Dr. Laden's testimony, the Research and Development group had been advised by the marketing department that the Nair advertising featuring baby oil had been successful from a business standpoint. Laden did not recall exactly which division of the Company (the R&D or lab group) suggested that Nair might well be more marketable if more baby oil was contained in the product.

At issue are two television commercials (PX 77 and PX 78), as well as print advertisements and packaging. The import of the television advertising was Johnson's main focus at trial. The television commercials began running in June 1977. They were repeated during the summers of 1978, 1979 and 1980. The commercials state no explicit claim or claims for the baby oil in Nair. They do, however, repeatedly emphasize the presence of baby oil in Nair. For example, the audio portion of the 1978 "Coney Island" commercial read as follows:

> "Who's got Baby Oil?
> Nair's got Baby Oil.
> If You're a baby goil, Nair with Baby Oil.
> Nair with Baby Oil.
> It takes off the hair . . .
> so your legs feel baby-smooth.
> And Nair's baby-soft scent . . .
> Smells terrific, baby.
> Who's got Baby Oil?
> Nair's got Baby Oil.
> Soft-smelling Nair with Baby Oil.
> Nair, for baby-smooth legs."

The word "Nair" is used seven times. The words "baby oil" are also used seven times. "Baby-smooth" is used twice; "baby soft" once; "baby goil" and "baby" are each addressed to the viewer once. The 1977 "Fire Escape" commercial is similarly

replete with references to baby oil and baby-smooth. The words "with baby oil" were featured on the pre-1980 label, packaging and print ads prior to the "New—25% more baby oil" reformulation referred to above.

The meaning of the Second Circuit's opinion with reference to the nature of the central issue in the case upon remand, and the relevance of all test data and expert testimony to the central issue, are sharply disputed by the parties.

Briefly stated, Johnson maintains that baby oil, used alone, confers on the user's skin what Johnson terms "baby oil skin benefits". These consist of "moisturization" and "lubrication". It is Johnson's contention that these benefits are not merely subjective judgments on the part of the user but can and should be measured by laboratory tests. Johnson's experts defined the "moisturization" benefits of baby oil as creating a protective barrier of oil on the skin which seals in the skin's natural moisture (water). These experts relied on a "fluorescein dye test" to prove that no barrier of oil sufficient to repel or seal in water was left after the use of Nair with baby oil.

Essentially, Johnson contends that if the baby oil ingredient in Nair does not confer the same moisturization benefits on the user's skin as baby oil used independently, after either shaving or depilation, the implicit message in Carter's advertising is false, because consumers perceive the Carter advertising campaign as making a "twin-benefit" claim: that the product removes hair *and* that the baby oil in the product moisturizes and lubricates the skin in the same manner as baby oil used independently. Johnson analogizes Carter's advertising to that of a detergent with fabric softener, which implies to the consumer that he or she need not purchase and use a fabric softener because the softener is already contained in the detergent.

Carter, on the other hand, characterizes Johnson's moisturization claim as a "non-issue", contending that the existence of a water barrier layer, as demonstrated by Johnson's fluroescein dye test, is not probative on the issue of whether the baby oil in Nair helps make skin soft and smooth. Carter claims that softness and smoothness can be determined only by testing the

perceptions of actual users, and reads the Second Circuit's opinion as: (1) *defining* the moisturizing benefits of Nair with baby oil as "leaving the skin smoother and softer than it would be without [baby] oil[.], and (2) *defining* the essential issue as whether users of Nair with baby oil achieve a softer and smoother effect than users of Nair without baby oil. Testimony and evidence was offered to the effect that consumers perceive their skin as softer after a depilatory is used, due to the fact that the ingredient thioglycolate removes both leg hair and the outer layer of dead skin.

It is not disputed that the baby oil in Nair makes the thioglycolate in the product adhere better to the skin and hair shafts, and thus achieves a more effective depilation which contributes to the softer and smoother feeling of the user's skin. Carter contends that since the inclusion of baby oil in Nair provides a better viscosity and consistency which makes the product a more effective product than Nair without baby oil, its advertising claims are true. Carter also points to language stipulated to by the parties in the joint pre-trial order which was "so-ordered" by this court, in which the issue on remand is stated as "[w]hether the baby oil ingredient in ''Nair", alone or in combination, provides benefits of any kind to the skin[.]" (Joint Pre-trial Order.)

At the 1981 trial, it was twice conceded by counsel for Johnson that Nair with baby oil does in fact leave the skin of the user feeling smoother and softer than Nair without baby oil, and that if Carter need show no more than that, Johnson cannot prevail in its claim of false advertising. Johnson's counsel had also conceded at the close of the 1980 trial that the addition of oil to the lotion formulation of Nair "may" lead to "slightly" softer and smoother skin. (1980 Tr. 850.)

Certain language in the opinion of the Second Circuit is subject to differing interpretations. Carter relies wholly on language to be found in a footnote to the opinion, which reads as follows:

> The record discloses strong evidence, including Carter's internal documents, admissions of its chief executive,

> independent expert opinion, and consumer surveys, that Carter's advertising of "NAIR with baby oil," some of which we viewed upon argument, is perceived as informing the public that the baby oil in NAIR has moisturizing benefits, leaving the skin smoother and softer than it would be without the oil. See *American Home Products Corp. v. Johnson & Johnson*, 577 F.2d 160 (2d Cir. 1978), *American Brands, Inc. v. R. J. Reynolds Tobacco Co.*, 413 F. Supp 1352 (S.D.N.Y. 1976). Indeed, from our review of the record and viewing of the NAIR advertisements the purpose and effect of the latter clearly appears to have been to lead consumers to believe that if they used NAIR with baby oil they would gain benefits from the product in the form of a moisturizing or softening effect not realized when baby oil is absent. Upon remand, therefore, the essential issue will be whether the presence of baby oil in NAIR does in fact have such a moisturizing or softening effect.

631 F.2d at 192, Ftn. 5.

In its brief, Carter quotes the following language from the footnote: " 'If [consumers] used Nair with baby oil they would gain benefits from the product in the form of a moisturizing *or softening effect not realized when baby oil is absent.*' " (Carter's emphasis.) Carter's brief then states: "The Court of Appeals also clearly defined 'moisturizing benefits' as meaning 'leaving the skin smoother and softer than it would be without [baby] oil.' " (Defendant's Post-Trial Memorandum of Law at p. 8.)

This court is not persuaded of the correctness of Carter's interpretation of the footnote, which must be read as a whole and the language quoted above taken in the context of the entire opinion and the cases cited both in the footnote and in the opinion itself.

The Court of Appeals discussed the propriety of injunctive relief under circumstances where manufacturers are competitors in a relevant market, and specifically concluded that Johnson and Carter are indirect competitors in the hair re-

moval market. (*Id.* at p. 190.) As such, Johnson's stake in the shaving market is protected under Sec. 43(a) of the Lanham Act. The court above held that the case law and the policy behind Sec. 43(a) requires "proof providing a reasonable basis for the belief that the plaintiff is likely to be damaged as a result of the false advertising. The correct standard is whether it is *likely* that Carter's advertising has caused or will cause a loss of Johnson's sales[.]" (*Id.* at 190, emphasis in the original.)

The Second Circuit found that Johnson had established a logical causal connection between the alleged false advertising and Johnson's own sales position, and noted that

> the use of baby oil after depilation is likely to be reduced if, as Johnson contends, Carter's advertising conveys to consumers the idea that NAIR's baby oil has a moisturizing and softening effect and leads the consumer to believe that use of a second, post-depilation moisturizer is unnecessary. Of course, if Carter's ads are truthful, then its gains at Johnson's expense are well earned. If false, however, the damage to Johnson is unfair. (*Id.* at 190-191.)

Moreover, in its discussion of the *Mutation Mink* and *Potato Chip Institute* cases, the court stated:

> Conveying a false impression that the product *is* a certain generic item is no more likely to divert trade than conveying a false impression that additional *use* of a generic product is unnecessary. The latter deceit is the type alleged by Johnson. (*Id.* at 192, emphasis in the original.)

In light of the foregoing, it is difficult for this court to conclude, as Carter urges, that the Second Circuit has "held" that moisturizing simply means achieving a softening or smoothing effect. Indeed, if the issue on remand were simply whether the inclusion of baby oil in Nair led to softer and smoother skin because of improved depilation, this court is at a loss to determine why the case was remanded. Johnson's counsel's admission as to this issue (1980 Tr. 850) at the close

of its case in 1980 was before the Second Circuit at the time it rendered the opinion above.

We read the opinion of the Court of Appeals as requiring that Johnson prove that the baby oil in Nair does not deliver the same benefits as baby oil applied independently, or in the alternative, that Carter prove that it does. Viewed from this perspective, the two references in the Second Circuit's footnote to "moisturizing or softening effect" and the language "not realized when baby oil is absent" would appear to refer to the effects realized by the user of baby oil as a post-shaving or post-depilation moisturizer. While it is not explicitly stated, the court above apparently accepts Johnson's contention that the Nair advertising is making a "twin-benefit" claim. Similarly, the words "benefits of any kind to the skin", as stipulated to by the parties in the joint pre-trial order, must be read as referring to the benefits associated with the use of baby oil, rather than to the benefits derived from the use of an improved depilatory. (This court does not reach the question of whether baby oil and/or moisturizers are "necessary" in the ontological or epistemological sense.)

The Court of Appeals stated:

> While proof of actual diversion of sales is not required for a Sec. 43(a) injunction to issue, proof that the advertising complained of is in fact false is essential . . . . Johnson, having shown that it is likely to be damaged by Carter's advertising, must prove that the NAIR advertising was false before being entitled to injunctive relief under the Lanham Act. Should the District Court find that the defendant's advertising conveys *a false message*, irreparable injury for the purpose of injunctive relief would be present for the very reason that in an open market it is impossible to measure the exact amount of Johnson's damages. (*id.* at 192, emphasis added.)

We turn now to the issue of the falsity of the advertising. The crux of the problem now facing this court is whether Carter's ads imply that the baby oil ingredient in Nair delivers independently the skin benefits derived by the user of baby oil: a

moisturizing or softening effect, and if so, whether that claim is true.

In this case, as in the case of *American Home Products Corp. v. Johnson & Johnson*, 577 F.2d 160 (2d Cir. 1978), "we are asked to determine whether a statement acknowledged to be *literally true and gramatically correct nevertheless has a tendency to mislead, confuse or deceive.*" (*Id.* at 165, emphasis in the original.) This court has already held that Carter's claims are ambiguous (Unreported Memorandum Opinion of Aug. 15, 1979 at p. 14); the Second Circuit held in *American Home Products*, *supra*, that the public's reaction will be determinative where the claims in the advertising are ambiguous, and found that the trial court "was warranted in examining, and may have been compelled to examine, consumer data to determine first the messages conveyed in order to determine ultimately the truth or falsity of the messages." (*Id.* at 166.)

In our 1979 opinion denying preliminary injunctive relief, the court examined the various consumer surveys in evidence at that time, and concluded that, "in light of the Burke studies, *at this time* plaintiff has failed to prove by a preponderance of the evidence that the Nair advertisements convey to the consumer a claim that the baby oil in Nair has a moisturizing effect." (Unreported Memorandum Opinion at p. 19, emphasis added.) In the court's 1980 opinion, it did not reach the question whether the advertising was false. It therefore did not examine or re-evaluate the consumer surveys in light of the expert testimony offered at the 1980 trial. It is appropriate that we do so now.

Three experts testified regarding the survey evidence: 1) Spencer Bruno, president and founder of Spencer Bruno Research Associates, a marketing and research firm; 2) Virginia Miles, a longtime advertising communications expert; and 3) Robert Lavidge, president of Elrick & Lavidge, a firm engaged in a wide variety of marketing research work. The surveys introduced into evidence included Burke tests conducted in 1978 and offered by Carter, the Elrick & Lavidge (E & L) Advertising Study conducted in 1979 and offered by Johnson, and the Spencer Bruno copy comprehension test, also offered by Johnson.

Burke Marketing Research, Inc. is a nationally known consumer survey company. On the preliminary injunction hearing, the court found that the Burke study of the 1978 "Coney Island" commercial did not show a significant consumer response attributing softening or moisturizing effects to the baby oil in Nair. 21% of the audience recalled that Nair contained baby oil; 15% perceived a message that Nair leaves the legs soft, smooth and beautiful, and only 1% stated that they thought Nair left legs smooth because of the baby oil in the product.

However, both Spencer Bruno and Virginia Miles testified that the Burke method tests memorability of a commercial. The Burke test is a "day-after recall" test, designed primarily to determine how many or what percentage of viewers of a given television program remembered seeing the commercial and what explicit ideas they remember. Viewers are telephoned the day after the broadcast of an advertisement and the responses of those whose characteristics fit the target class are tabulated. Burke's tabulation and coding of consumer responses are reflected in the percentages given above. But both Bruno and Miles testified at the 1980 trial that consumers do take away a message of baby oil benefits. Miles read at length from the Burke verbatim answers, and highlighted numerous instances (which she estimated to be approximately 12%) where consumers linked the idea of baby oil's softening and smoothing qualities with the advertisement for Nair. Miles further testified that even low percentages of such responses in a day-after recall test such as Burke's is significantly high because consumers are volunteering the information.

The Elrick and Lavidge Advertising study and the Spencer Bruno copy comprehension test are "forced exposure" methods of consumer testing, as opposed to the "day-after recall" Burke method. Consumers were shown the television commercial in a theatre-type setting. They were then asked questions as to the meaning of the commercial. In Bruno's verbatim responses to the question, "What ideas did the advertiser try and get across about Nair in their commercials?", 56% mentioned the idea that Nair contains baby oil.

36% of the total concluded that the baby oil in Nair was supposed to soften and smooth the skin.

The Elrick and Lavidge study also show significant consumer playback of the idea that the baby oil imparts its own benefits when Nair is used. 46% of the respondents mentioned that the baby oil "makes skin soft"; 31% answered that the product moisturizes the skin, prevents drying out or would not cause dry skin; 24% mentioned smoothness.

Carter contends that one of the questions asked in the Elrick and Lavidge study, namely, "What if anything is good about having baby oil in the product?", is suggestive and therefore without probative value. That was the opinion of this court at the preliminary injunction hearing. However, three marketing experts (Bruno, Miles and Lavidge) testified at the later trial on the merits that this is a proper and standard type of question to determine whether and what implicit claims are being perceived by consumers. In the absence of contrary expert testimony by Carter, we reverse our prior position on this issue.

In deciding the weight to be accorded to the various surveys, this court also looks to *American Home Products Corp v. Johnson & Johnson*, 436 F. Supp. 785 (S.D.N.Y. 1977), *aff'd*, 577 F.2d 160 (2d Cir. 1978), wherein Judge Stewart stated as follows:

> Initially we were disposed to think that the G&R [day-after recall] method of testing would be better, because the consumer saw the commercial in the normal context—viewing TV at home. However, the verbatims caused us to seriously doubt the reliability of this method, at least when the need was to find out how the consumer interpreted the advertisements language, i.e., what the consumer took the message to be from the particular language used. . . . [W]e are not confident that the G&R technique really tested what message the consumer took from the language used as opposed to the broader issue of what mental processes viewers went through when they noticed an Anacin ad appear on the screen. . . . [W]e think that the format of the ASI [forced exposure] presen-

> tation was likely to cause the audience to attend to the programs and ads more closely and thus more accurately reflect what the average consumer who heard and saw the ad took the message(s) to be[.] (*Id.*, at 794.)

In its affirmance of Judge Stewart's opinion, the Second Circuit endorsed this approach to weighing the credibility of test data (577 F.2d at 166-167.) This court also notes that Carter has produced no copy comprehension tests of its own to challenge the results of the Bruno and Elrick and Lavidge surveys.

We therefore conclude that a statistically significant proportion of the viewing public takes from the Carter advertising a message that the baby oil in Nair independently softens and/or moisturizes the user's skin. We turn now to the issue of whether this claim is true.

We will first attempt to deal with the concept of "moisturization", particularly in view of the Second Circuit's disjunctive use of the terms "moisturizing or softening" in footnote 5 as quoted above, and Carter's emphasis on the word "softening" as being equivalent to "moisturizing".

As Carter correctly points out, it is clear from all expert testimony adduced at trial that the term "moisturization" has no uniformly established scientific meaning. Dr. Bruce Semple, Director of Research and Development for Johnson's Baby Products Company, testified at the preliminary injunction hearing that certain substances such as petrolatum *add* moisture to the skin and could thus be classified as moisturizers. The experts who testified agreed that baby oil or mineral oil does not have such properties. However, Dr. Robert Lavker, a skin specialist from the University of Pennsylvania, testified that hair removal, whether by shaving or by depilation, eliminates not only surface hair but also the protective outer barrier of horny cellular material and skin oils (lipids). Dr. Lavker testified that the use of baby oil applied directly to the skin after shaving or depilation creates a second protective barrier on the skin after hair removal, preventing dryness by sealing in the skin's natural moisture. Johnson contends that this is also

a form of moisturization, which is not conferred by the baby oil ingredient in Nair.

Carter claims that anything that makes the skin softer and smoother as perceived by the consumer (including more effective removal of hair) also fits into the "moisturization" category. Carter points to the testimony of Johnson's president, Robert Stites, who testified that the terms "softening" and "smoothing" and "moisturizing" are used interchangeably. However, Stites, whose background and experience are in business administration and marketing, was not offered as a scientific expert, and the court is inclined to give more weight to Lavker's testimony on the issue of what benefits baby oil used independently imparts to the user's skin.

We turn now to the test data offered into evidence by the parties. To substantiate its "moisturization" claim, Johnson relies on a "fluorescein dye test", in which a waterbased fluorescein dye solution is applied to four patches of skin: 1) untreated skin; 2) skin rubbed with baby oil and then swabbed; 3) skin depilated with the Nair with baby oil product, and 4) skin depilated with the Nair with baby oil product and then rubbed with baby oil. Patches #1 and 3 fluoresced under ultraviolet lights, indicating that the dye had reached the skin. Patches #2 and 4 failed to fluoresce, indicating that an oil barrier existed between the dye and the skin which repelled the water-based dye solution.

Johnson contends that this test proves conclusively that, since no barrier of oil sufficient to repel water was left after the use of Nair with baby oil, the skin benefits normally conferred by the use of baby oil alone are not conferred by the use of Nair with baby oil.

Carter takes the position that Johnson has not proved that Nair with baby oil does not leave the skin smoother than Nair without baby oil, and that Carter, though under no obligation to do so, has proved that it does.

In support of its position, Carter relies on four tests, briefly summarized as follows:

1) Viscosity study, which compares the rate at which Nair with baby oil and Nair without baby oil ran down a glass slide. Carter claims that the greater viscosity and thic' :r consistency of the product with mineral oil makes Nair with baby oil more effective as a depilatory, as the product adheres better to the skin and hair shaft, which makes the user's skin softer and smoother than it would have been had the product without baby oil, which is thinner and runnier, been used.

2) Lea Slurzberg Research, Inc.'s 1976 Double Blind Study, in which 99 depilatory users, who were told they were testing two new products, applied Nair with baby oil to one leg and Nair without baby oil to the other leg. After each application a questionnaire was administered to the subjects. The subjects' overall preference ran to Nair with baby oil by 60% to 25%. (In this percentage comparison, as in all following, the "missing" percentage of subjects were listed as "no preference".) Subjects were also asked to rate ten product characteristics; the two most relevant to this litigation are: 1) "leaves skin soft" (subjects preferred Nair with baby oil over Nair without baby oil by 61% to 29%), and 2) "leaves skin smooth" (subjects preferred Nair with baby oil to Nair without baby oil by 54% to 26%).

3) 1981 Double Blind Study, also conducted by Lea Slurzberg Research, Inc., in which 125 subjects were given the current (25% more baby oil) Nair formulation to take home and use on one occasion, and Nair without baby oil to take home and use on another occasion. (As in the 1976 study, the product first used was alternated between users.) After use of both products, a questionnaire was administered. The subjects' overall preference was for Nair with baby oil by 75.2% to 14.4%. With regard to specific product characteristics, the three relevant results were: 1) "Leaving your skin soft" (subjects preferred Nair with baby oil by 70.4% to 15.2%); 2) "Leaving your skin smooth" (subjects preferred Nair with baby oil by 72.0% to 12.8%); 3) "Moisturizing your skin" (subjects preferred Nair with baby oil by 65.6% to 16.0%). Carter claims that the higher percentage win for Nair with

baby oil in the 1981 Double Blind Study (as compared with the 1976 Double Blind Study) can be attributed to the fact that the Nair with baby oil formulation contained 25% more baby oil than the 1976 Nair with baby oil formulation.

4) Gas Chromatography Study, conducted late in 1979 (before the 25% more baby oil reformulation), to determine whether residual amounts of baby oil could be detected on a user's skin after use of Nair with baby oil. In this test, Nair with baby oil was applied to subjects' skin, which was then rinsed off and blotted dry; that area was then extracted with a solvent which would dissolve residual oil. The extract so derived was analyzed in a gas chromatography test, wherein a mixture's ingredients can be separated and analyzed by passing hot gas through a column with an absorbant; the ingredients are separated out as they traverse and adhere to the column, depending upon the ingredient's volatility. Using this test, Carter found residues of oil ranging from .48 to 1.55 milligrams per 12 square inches, and 1.55 to 2.33 milligrams per square inch in subjects with naturally oily skin. Dr. Karl Laden, Carter's Vice President of Research and Development, testified that this amount of baby oil is sufficient independently to provide softer and smoother-feeling skin, regardless of whether enough oil is left on the user's skin to function as a water barrier.

Because we interpret the opinion of the Court of Appeals as requiring that Carter show that the baby oil in Nair delivers separate and independent benefits to the skin aside from the benefit of being an improved depilatory, the court is inclined to discount the results of the viscosity study, the 1976 Double Blind Study and the 1981 Double Blind Study, for these tests essentially pit Nair against itself (Nair with baby oil versus Nair without baby oil). They do not address what the court now views as the central issues at this juncture of the case. Moreover, the "old" Nair used in the 1976 Double Blind Study did not contain the "Noville" fragrance and was a thinner and runnier product. The "Noville" fragrance in the specially made Nair without baby oil used in the 1981 Double Blind Study

was, according to the testimony of Dr. Stanley Selzer, significantly weaker than the stablized fragrance in the Nair with baby oil, and the unpleasant thioglycolate fragrance was more pronounced; the product was also runnier. The court is inclined to credit the testimony of Drs. Selzer and Laden with respect to the "halo" effect of improved fragrance and consistency.

The only test offered by Carter which speaks to the issue of whether enough baby oil is left on the skin after the use of Nair to provide independent benefits is the Gas Chromatography Study. Dr. Laden was the only witness who testified for Carter as to the results of this study, as set forth above. The court finds several problems with interpreting the results of this test.

First, Dr. Laden, while reporting the scientific results of the Gas Chromatography Study, also testified that of all the tests which Carter performed, he placed "much greater" reliance and "most of my reliance" (Tr. at p. 86) on the doubleblind consumer perception tests in arriving at his conclusion that Nair moisturizes the skin. On cross-examination, he testified that though the "average" amount of oil found on Nair users' skin was 1.06 milligrams per 12 square inches, if the gas chromatography test results from subjects with naturally oily skin were discounted, the residues of oil left on the skin would be approximately .62 milligrams per square inch, which would not be biologically significant in the sense that it would moisturize the skin. He did not know whether it would be biologically significant in the sense that it would lubricate the skin. [Whether the residues of baby oil left on the user's skin after use of Nair were, as Laden testified, as great or greater than the residues left after the use of a few drops of Johnson's baby oil in a tub full of bath water is not an issue before the court at this time, as it is the advertising claims made by Carter for Nair which we are considering.]

Second, James Molnar, a Johnson chemist versed in the uses of gas chromatography testing, testified at the 1981 trial that the use of totally untreated skin as a control (rather than skin treated with Nair without baby oil) presented problems of interpretation in that many biological reactions take place in skin treated with thioglycolate. He pointed out that the oil

residues detected in the chromatogram might well be natural skin oils generated in reaction to the thioglycolate.

Third, testimony by Molnar at the 1981 trial and Bruce Semple at the 1980 trial, together with a physical demonstration by Molnar of the quantify of 1.06 milligrams of baby oil indicate that far less oil remains on the Nair user's skin than would remain if baby oil is applied independently. Moreover, Molnar testified that in Johnson's flourescein dye test, on a patch of skin to which baby oil had been applied and then swabbed off, 32 milligrams to 38 milligrams still remained per 12 square inches of skin.

For the above-stated reasons, the court concludes that Johnson has sustained its burden of proving that Nair with baby oil does not provide the same benefits to the user's skin as baby oil used independently, and that Carter has not introduced sufficiently probative evidence to disprove Johnson's evidence. Therefore, this court holds that the implicit claims in Carter's advertising are false. It is thus appropriate that injunctive relief should issue.

Before turning to the scope of that relief, we will consider Carter's suggestion, raised at the 1981 trial, that its new 1981 commercial, which mentions baby oil only once, renders the issues raised by the 1977-1980 advertising campaign moot—or, as framed in Carter's post-trial reply memorandum, that injunctive relief cannot now appropriately be issued. Carter claims that Johnson must prove that "there exists some cognizable danger of recurrent violation[.]" *United States v. W. T. Grant Co.*, 345 U.S. 629 at 633 (1953). Carter contends that Johnson bears the burden of proof on the issue of whether Carter will at some future time renew its "Nair with baby oil" advertising campaign. The court is not persuaded by Carter's reasoning on this point. It seems to us entirely possible that, should an injunction not issue against the 1977-1980 "Nair with baby oil" campaign, the 1982 commercials might well revert to the former emphasis on baby oil which proved so successful a marketing strategy in the past. What might be aired in 1982 and thereafter are advertisements, which client "might reasonably complain were within the scope of its

complaint, which challenges a type of advertising, though its charges are directed against specific advertisements." *McNeilab, Inc. v. American Home Products Corp.*, 501 F. Supp. 517, 523 (S.D.N.Y. 1980). No "enforceable commitment" or "adequate assurance" (*Id.*, at 523) by Carter has been brought to the attention of this court. Dr. Laden's vague statement that Carter has no present intention of reviving the 1977-80 ad campaign will not suffice. The issue is clearly not moot.

We turn now to the scope of the injunction. The law is clear that "a truthful and unambiguous product claim cannot be barred under Section 43(a) even though consumers mistakenly perceive a different and incorrect message." *American Brands, Inc. v. R. J. Reynolds Tobacco Co.*, 413 F. Supp. 1352, 1356-7 (S.D.N.Y. 1976). It is certainly not disputed that Nair contains baby oil. The court therefore cannot agree with Johnson's position that any mention of baby oil must be prohibited.

The text of the 1981 television commerical reads as follows:

> "Drop the blade, babe.
> Put the Nair there.
> Forget the stubble trouble.
> Your legs stay smoother for days.
> Nair, with baby oil, gets
> rid of hair in minutes.
> An Nair leaves legs smoother
> for days longer than shaving.
> Drop the blade, babe.
> Put the Nair there.
> Forget the stubble trouble.
> Your legs stay smoother for days.
> Drop the blade, babe.
> Legs stay smoother longer with Nair."

There is no evidence in the record with regard to the impact on the consumer of the one mention of baby oil in the commercial. The court notes that the one reference ("Nair, with baby oil, gets rid of hair in minutes") might tend to support the only claim that Carter asserts it is making: namely, that baby oil in

Nair makes Nair a more effective depilatory. The court therefore declines to include the 1981 commercial within the scope of its injunction, and rejects Johnson's "cookie jar" argument as cited in the trademark infringement case of *Johnson & Johnson v. Quality Pure Manufacturing, Inc.*, 484 F. Supp. 975 (D.N.J. 1979), and Johnson's "higher standard of conduct" contention as enunciated in *Broderick & Bascomb Rope Co. v. Manoff*, 41 F.2d 353 (6th Cir. 1930) and applied in *Aurora Products Corp. v. Schisgall Enterprises, Inc.*, 176 U.S.P.Q. 184 (S.D.N.Y. 1972).

In this connection, the court takes into account Johnson's counsel's own admissions that the inclusion of baby oil in Nair makes the product a more effective depilatory.

N.Y., N.Y.
12/31/81

/s/ Constance Baker Motley
U.S.D.J.

FINAL TYPED COPY TO FOLLOW

Order of Motley, *D.J.* Denying Motion by Defendant to Amend Injunctive Order

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Civil No. 78-3986
February 15, 1982

JOHNSON & JOHNSON, a corporation,

Plaintiff,

—v.—

CARTER-WALLACE, INC., a corporation,

Defendant.

ORDER

After having considered defendant's motion to amend this court's Injunctive Order by deleting the third decretal paragraph thereof or, alternatively, clarify its Injunctive Order by stating that it does not apply to the current packaging or labelling for "Nair," it is hereby

ORDERED that defendant's motion is denied.

The third decretal paragraph of the Injunctive Order enjoins defendant from "highlighting the baby oil ingredient on the Nair label, packaging and print advertising." As set forth in this court's opinion of December 21, 1981, defendant is not entitled to emphasize the baby oil ingredient in "Nair" in such a manner that consumers are led to attribute independent benefits to that ingredient. By *highlighting* the baby oil ingredient in Nair, defendant conveys the implicit message, which

this court found to be false, that Nair with baby oil will provide skin benefits that consumers associate with baby oil use. Accordingly, defendant may not continue to package or label Nair, as it now does, with a bold banner proclaiming that Nair has "25% MORE BABY OIL." Defendant's current packaging and labelling of Nair is thus within the scope of the court's Injunctive Order.

Dated: New York, New York
February 15, 1982

So Ordered

/s/ Constance Baker Motley

Constance Baker Motley
U.S.D.J.

Order of Motley, *D.J.* Amending Court's Opinion of December 21, 1981

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

Civil No. 78-3986
June 17, 1982

JOHNSON & JOHNSON, a corporation,

Plaintiff,

—v.—

CARTER-WALLACE, INC., a corporation,

Defendant.

ORDER

Due to an inadvertent error, it is hereby ORDERED that paragraph 1 of page 24 of the court's opinion in the aboveentitled action, filed in draft and dated December 21, 1981, is amended to read as follows:

> We turn now to the scope of the injunction. Carter contends that "a truthful and unambiguous product claim cannot be barred under Section 43(a) even though consumers mistakenly perceive a different and incorrect message." *American Home Products v. Johnson & Johnson, supra.* The Second Circuit has not yet ruled on the validity of that theory. However, the claim that Nair contains baby oil is certainly not disputed. In the absence of a definitive ruling by the Second Circuit that a truthful and unambiguous product claim may be barred under

Section 43(a), and given the fact that the claim here is truthful, the court cannot agree with Johnson's position that any mention of baby oil must be prohibited.

Dated: New York, New York
June 17, 1982

SO ORDERED

/s/ Constance Baker Motley

CONSTANCE BAKER MOTLEY
U.S.D.J.

Statement affirming an Order of the United States District Court, Southern District of New York

UNITED STATES COURT OF APPEALS
SECOND CIRCUIT

No. 82-7178
October 21, 1982

JOHNSON & JOHNSON, a corporation,

Plaintiff-Apellee,

—v.—

CARTER-WALLACE, INC., a corporation,

Defendant-Appellant.

(D.C. Civil No. 78-3986)
ON APPEAL FROM THE UNITED STATES DISTRICT COURT, SOUTHERN DISTRICT OF NEW YORK

LUMBARD and MANSFIELD, *Circuit Judges.*

Carter-Wallace, Inc. ("Carter") appeals from an order and judgment of the Southern District of New York entered on December 29, 1981, enjoining it, after a non-jury trial before Judge Constance Baker Motley, from emphasizing in its advertisements and packaging of its product "Nair," a depilatory, the presence of "baby oil" in such a way as to imply that the baby

N.B. Since this statement does not constitute a formal opinion of this court and is not uniformly available to all parties, it shall not be reported, cited or otherwise used in unrelated cases before this or any other court.

oil in Nair conferred independent moisturization benefits which would obviate the need to apply baby oil separately as a post-depilation skin lubricator following the use of Nair. The case was tried on remand after we held, upon an earlier appeal from denial of preliminary relief, that Johnson & Johnson ("Johnson"), a competitor, was entitled to avail itself of the protection of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), which prohibits false advertising. 631 F.2d 186 (2d Cir. 1980).

We affirm the order and judgment of the district court, substantially for the reasons stated by Judge Motley in her opinion dated December 21, 1981. The result turns on resolution of issues of fact, and Judge Motley's findings, which are based on ample evidence, including her appraisal of demeanor credibility, can hardly be labelled clearly erroneous. Carter's advertisements and packaging of its product Nair, by emphasizing the presence of baby oil in the product, impliedly represented that the baby oil would provide the same benefit to users as that which they had formerly realized when they applied baby oil separately as a post-depilation moisturizer, *i.e.*, lubrication of the skin to remedy the harsh, drying effect of depilation, which removes part of the outer protective dead-skin barrier, so that the body's natural system will be aided in producing new skin cells.

The evidence revealed that, although Nair with baby oil is more effective as a depilator in removing both hair and the skin's protective barrier, leaving the skin smoother than when Nair without baby oil is used, it does not provide the benefits realized from independent use of baby oil as a postdepilation skin-restorer. By implying that Nair with baby oil conferred these latter benefits, the advertising was materially false. The terms of the district court's injunction, being reasonably necessary to remedy the effects and prevent recurrence of the false advertising, are appropriate.

/s/ J. Edward Lumbard

J. Edward Lumbard, U.S.C.J.

/s/ Walter R. Mansfield

Walter R. Mansfield, U.S.C.J.